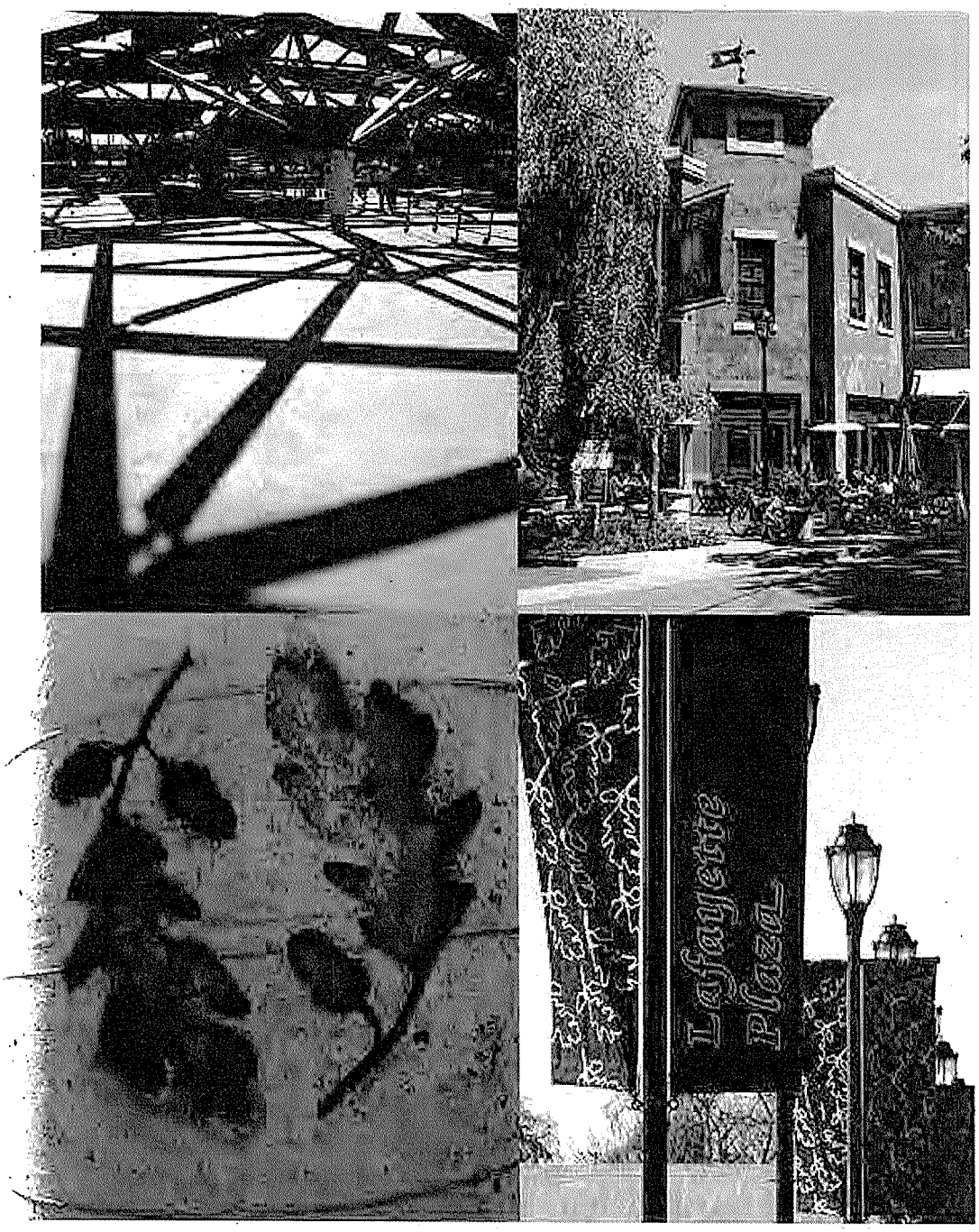
City of Lafayette

Lafayette Finance Review Committee
Final Report to the City Council
December 2008



LAFAYETTE FINANCE REVIEW COMMITTEE
FINAL REPORT TO THE CITY COUNCIL - DECEMBER 2008
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I. BACKGROUND

The City of Lafayette currently faces several major financial challenges:

1. An unfunded backlog of road repairs totaling $18 million.

2. The lowest per capita police staffing in Contra Costa County and steeply increasing costs for police.

3. A $250,000 annual shortfall in revenue for downtown maintenance.

These funding challenges are further exacerbated by the fact that the City receives a much smaller share of property tax than the average California city and the fact that two of the primary revenue sources – sales and property tax -- can be seriously and adversely affected by downturns in the economy.

In an effort to address these issues, the City has put forth a number of ballot measures seeking to increase revenue, all of which needed 2/3 supermajority to pass (numbers in parentheses indicate the percent that supported the measure):

- 1998 – Police Parcel Tax (45%)
- 2004 – Road Repair Ad Valorem Tax (58%)
- 2006 – Police Parcel Tax (61%)
- 2007 – Road Repair Parcel Tax (63%)

None of these measures were successful. In addition, the City placed an assessment district increase before downtown property owners in 2007 to fund downtown maintenance, but the proposal was rejected.

Informal and non-scientific polls conducted after the last road repair measure failed suggested that one of the reasons the measure failed was that some residents believed that there was already sufficient money in the City's budget to address the financial issues and that current resources could be used more efficiently. In order to investigate this claim further, the Lafayette Finance Review Committee was formed with the following mission:

The Lafayette Finance Review Committee is composed of local volunteers with a strong background in business and finance who will review the City of Lafayette municipal budget to ensure that the city is operating efficiently. The Committee will evaluate the effectiveness of current expenditure and revenue activities, recommend financial changes that may improve performance and reduce risk, and offer an impartial analysis of the City's financial situation.

II. EXECUTIVE SUMMARY

The Lafayette Finance Review Committee began its work in April 2008, with four objectives:

1. Review the results of the 1992 Report by the previous Finance Review Committee.

2. Examine the present state of the City's financial picture with respect to decision making and fiscal responsibility.

    - Interview Department Heads:
      Tracy Robinson, Administrative Services Director
      Ann Merideth, Community Services Director
      Jennifer Russell, Parks, Recreation & Trails Director
      Michael Hubbard, Chief of Police
    - Review prior years' audits
    - Analyze the effect of the RDA on City finances
    - Review major capital projects

3. Compare Lafayette's financial picture to a group of Bay Area cities that are similar in demographics and population. These cities were chosen as peers based on their population size, their per capita household income and their similarity to Lafayette with respect to retail and housing types.

Exhibit 1
Peer Cities

	Population	Median Family Annual Income	Non-Public Safety Employee FTEs
Lafayette	23,908	$120,364	38
Orinda	17,599	$132,531	40
Danville	41,715	$125,867	86
Los Gatos	28,592	$119,194	65
Moraga	16,290	$116,113	21
Piedmont	10,925	$149,857	39

It should be noted, however, that comparisons to other cities can be difficult as cities have diverse priorities, account for expenses differently, and may be responsible for services such as fire and sewer. The committee used the comparisons only to identify opportunities for improvement to study in more detail.

4. Evaluate a comprehensive list of cost reduction and revenue enhancement options (see Appendix 1 on page 34) and assess both the financial impact and the risk to the community. This analysis led to the options falling into one of four quadrants:

Low Financial Impact / Low Risk
Options in this category, would yield relatively low returns to the City and have very little overall financial impact in terms of solving the City's most pressing problems. The council may wish to pursue implementing these options after further discussion of their potential impacts to the community.

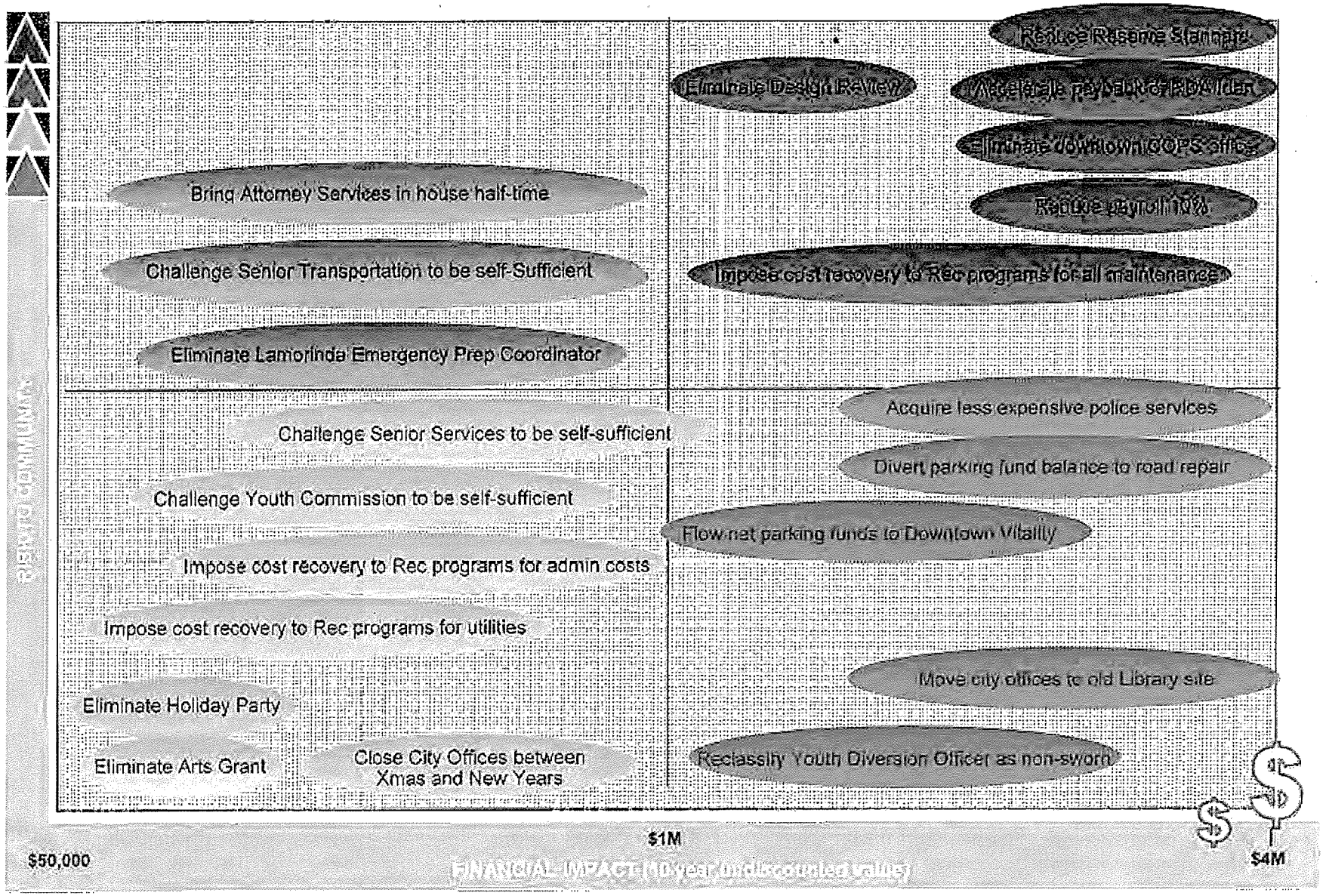
Low Financial Impact / High Risk
Options in this category also yield relatively low returns; however, the overall impact to City operations would be much more significant. The Committee does not recommend pursuing options in this quadrant.

High Financial Impact / High Risk
While options in this category would yield very large returns, both in one-time funds and contributions to ongoing savings, they also present a much higher risk to the community and the overall function of the City. The Committee does not recommend pursuing any of these options unless the City falls into dire need.

High Financial Impact / Low Risk
Options in this category represent the City's best options to increase revenue and decrease cost with relatively low overall risk to the community.

See next page for matrix of options.

Cost Reduction Opportunities


Reduce Resume Submittals
Eliminate Design Review
Eliminate downtown COPS office
Reduce payroll 10%
Bring Attorney Services in house half-time
Challenge Senior Transportation to be self-Sufficient
Impose cost recovery to Rec programs for all maintenance
Eliminate Lamorinda Emergency Prep Coordinator
Acquire less expensive police services
Challenge Senior Services to be self-sufficient
Divert parking fund balance to road repair
Challenge Youth Commission to be self-sufficient
Flow net parking funds to Downtown Vitality
Impose cost recovery to Rec programs for admin costs
Impose cost recovery to Rec programs for utilities
Move city offices to old Library site
Eliminate Holiday Party
Reclassify Youth Diversion Officer as non-sworn
Eliminate Arts Grant
Close City Offices between Xmas and New Years
$50,000
$1M
$4M
FINANCIAL IMPACT (10-year, undiscounted value)

Findings:

- *The City did a very thorough job of following through on the recommendations of the 1992 Finance Committee Report. One recommendation not pursued which we believe should be revisited now is purchasing City Offices.*

- *The City has generally done a very good job of identifying and acting upon opportunities to manage the taxpayer's money with prudence and leveraging outside sources of revenue.*

- *The City's expenditures are in line with peer cities and in some cases, Lafayette appears to be more fiscally prudent than many of the cities in our study.*

- *The City is spending General Fund resources in accordance with the long held stated priorities of "The Four Ps": Police, Public Works, Parks and Planning. However, all expenditures and subsidies should be carefully evaluated in accordance with city priorities and General Funds should be used only if there are no other reasonable funding options.*

- *The committee identified a number of cost reduction opportunities, however they are not recommending that the Council pursue all of them at this time. In fact, due to the risk to the community, some would only be recommended if the City were to find itself in dire financial circumstances.*

- *The cost saving recommendations range from $50,000-$200,000 per year plus a potential savings on police services of up to $400,000 annually. In addition, the committee has identified $4.3 million in fund balances that could potentially be diverted to local road repair.*

- *Given the size of Lafayette's infrastructure and law enforcement needs, and the current efficiency of the City finances, cost savings alone are not sufficient to meet the all City's needs. Additional sources of sustained revenue are imperative.*

- *The committee identified several revenue enhancement options ranging from $100,000 to $7M annually.*

Exhibit 2
Recommendations

Recommendations	Estimated Annual Financial Impact	Estimated One-Time Financial Impact
1. Acquire and redevelop the existing library site for City Offices funded through COPs (Certificates of Participation). Transfer balance of current City Offices to pavement management program.	$50,000 to $100,000	$1,800,000
2. Launch a study to evaluate opportunities for a more cost effective Police Services structure.	$400,000	
3. Reclassify Youth Diversion officer as a non-sworn position.	$100,000	
4. Transfer the current balance in the Parking fund to the pavement management program. Additional parking can be funded either through the RDA or assessment districts, or a combination of both. Additionally, surplus revenue from Parking Enforcement could be used to fund downtown maintenance.	$100,000	$2,500,000
5. Fund future downtown maintenance (e.g. parking structures, landscaping and lighting, other improvements) with assessments districts.	$300,000+	
6. Increase revenue using one or more of the following options to fund infrastructure repair, additional public safety and downtown vitality:		
A. Property Transfer Tax which would necessitate changing the city from a General Law city to a Charter city.	$2,000,000 to $7,000,000	
B. Increase sales tax	$1,250,000	
C. Business License Fee that would fund downtown vitality	$240,000+	
TOTAL	$4,440,000 to $9,490,000	$4,300,000

III. REVIEW OF 1992 REPORT

The Committee began its analysis by reviewing the findings and recommendations of the 1992 Lafayette Finance Committee (see Appendix 2 on page 43). At that time, the City was facing long term financial challenges and even then recognized that maintaining the City's infrastructure was going to require high levels of ongoing investment. The 1992 Finance Committee concluded that Lafayette had low expenditures compared to the six peer cities examined and also identified several opportunities to reduce costs and increase revenues.

Recommendations of that committee were implemented with few exceptions ultimately resulting in the City's enduring strategy of "Squeeze to Pave" which has allowed the City to contribute $1 million annually to the Pavement Management Program. Notable changes to City policy that were implemented as a result of the Committee's work include:

- Making Recreation programs self-funded
- Contracting for Public Works operations
- Adopting a revised budget system that encourages managers to save money
- Selling unused City property

Those recommendations not implemented include:

1. Decrease costs by moving City Offices to the Community Center or purchasing another location. Moving to the Community Center was not implemented because the Council ultimately decided that locating City Offices so far from the downtown would result in decreased customer service for residents in addition to seriously impacting the recreation programs that could be offered.

2. Implementing a public safety force which would combine fire and police was also not pursued for several reasons including fierce resistance from the unions. Additionally, further investigation revealed that expected cost savings from the County would likely not be realized.

Findings:

- ***The 1992 Finance Committee concluded that Lafayette had low expenditures compared to the six peer cities examined and also identified several opportunities to reduce costs and increase revenues.***

- ***The City Council and Staff implemented a majority of the recommendations of the 1992 Report, thereby dramatically improving the City's financial picture.***

- ***The long term location of the City Offices has re-emerged as an important topic of study.***

- ***The ongoing cost of public safety, specifically as it relates to police services, is even more constraining in 2008 than it was in 1992.***

IV. ANALYSIS OF FISCAL RESPONSIBILITY

One of the Committee's tasks was to examine the present state of the City's financial picture with respect to decision making and fiscal responsibility. Our assessment consists of the following four sections:

- Department Head Interviews
- Prior years' audits
- The effect of the RDA on City finances
- Major Capital Projects Review

Our review found that the City is in general well run, dedicated to responsibly managing City funds and aggressive in seeking ways to improve our City utilizing and leveraging financial sources from outside the City. The City has wisely chosen projects where these outside funds can be utilized without using significant General Fund money that can be redirected toward projects such as residential repaving that have limited or no leveraging potential.

REPORT OF INTERVIEWS WITH DEPARTMENT HEADS

More detailed information about the interviews can be found in Appendix 3 on page 45. Following are the committee's major findings in each area:

1. Finance and Administration – Tracy Robinson

   - ***The committee is impressed with the knowledge and diligence of the financial department.***
   - ***Experience and expertise within the group—molded by the strong leadership of the city manager—enable city's management to perform the financial function at a very high level.***

2. Community Development - Ann Meredith

   - ***The Planning Department is staffed appropriately for the workload and needs of the community.***
   - ***The department covers 70% of its cost through fees.***
   - ***Though some feel the planning process is complicated and cumbersome, the citizens of Lafayette insist on hillside preservation and maintaining neighborhood character.***

3. Parks & Recreation Department - Jennifer Russell

   - ***Parks and Recreation has delivered on the major recommendation of the 1992 report to become self-sufficient with program fees. In fact, after the library opens, the Community Center will have even more space available for additional programming.***

   - ***Park improvements, such as Buckeye Fields and the Multi-use Rink are largely funded by Parkland Dedication Fees and not General Funds.***

4. Police Department - Mike Hubbard

   - ***Lafayette is not large enough on its own to cost effectively support a separate police department. The City benefits from the current contract by taking advantage of the economies of scale offered by the Sheriff's Department for services such as communication, training, and administration.***

   - ***There may be opportunities to contract with other lower cost providers, such as Walnut Creek.***

   - ***The City has the lowest per capita number of officers in the County, yet total annual calls for service rose from 16,929 in 1996 to 22,961 in 2005 – an increase of 35%.***

   - ***The Chief has recently hired a non-sworn officer to do CSI that frees up the deputies. This may also be an option for the Youth Diversion function.***

PRIOR YEAR AUDITS

Annual financial statements are prepared in accordance with governmental accounting standards; the statements are audited by an independent auditing firm, Cropper Accountancy Corporation, who have been the city's auditors for six years. Opinions have been unqualified and while the auditors sometimes offered recommendations to improve controls, no issues were characterized as material weaknesses. Those recommendations were all implemented and the 2007 audit did not identify any additional control points. As of this writing, the field work for the 2008 audit has been completed, but the report has not yet been issued.

A sound set of internal controls appears to be in place over the financial operations. Internal financial information is prepared in a timely fashion, with account analyses and comparisons to budget performed regularly. The experience of the staff facilitates an intelligent review of this information.

REDEVELOPMENT AGENCY

History

The Lafayette Redevelopment Agency was formed in 1995 to improve properties in the downtown area. The Agency reached an agreement with Contra Costa County whereby the Agency agreed to certain obligations and to limit the receipt of tax increment to a total of $75 million over the life of the project (known as the "cap"). The RDA will cease to collect increment in 2040 or when the $75 million cap is reached, whichever is first.

The total $75 million in "capped" tax increment does not include tax increment revenue used to construct or improve the Library or any other facility that is designated by the Agency and County as a "mutually acceptable project". Tax increment for these projects is referred to as "above the cap" (exempt) and no limit is specified. To date, the Agency has spent tax increment on two exempt projects – the Veterans Memorial Building and the Lafayette Library and Learning Center.

In addition to the Library and Veterans Building, a number of other projects have been completed using Agency tax increment along with other funding sources. These include:

- Core Area Utility Undergrounding
- Mt. Diablo Corridor Improvements (medians, trees, sidewalks, streetlights)
- Façade Improvements at Town Center
- Façade Improvements at Plaza Way
- Community Events Board
- Road and Drain Repair

Therefore, the City has been able to successfully use RDA tax increment to leverage other available funds for improvements in the project area. As a result, the assessed values in the Redevelopment Area have continued to increase:

Exhibit 3
Redevelopment Area Growth

Fiscal Year	Total Assessed Valuation	% Change
1994-1995	$331,871,939	
1995-1996	332,213,008	0.10%
1996-1997	337,914,432	1.72
1997-1998	337,228,385	-0.2
1998-1999	353,792,684	4.91
1999-2000	373,561,119	5.59
2000-2001	403,683,530	8.06
2001-2002	430,188,978	6.57
2002-2003	457,217,163	6.28
2003-2004	479,829,071	4.95
2004-2005	501,646,923	4.55
2005-2006	538,670,763	7.38
2006-2007	599,498,917	11.29
2007-2008	646,424,828	7.83
2008-2009	694,327,026	7.41
Cumulative Growth		**209%**

Loans

In the first years of the Agency, when there was very little tax increment, the General Fund lent the Agency money to both fund the start up as well as to start several projects. This is shown as a debt owed from the Agency to the General Fund. Under the terms of the 1999 agreement between the City and the Agency, this debt is repaid at a rate of 8% per year. The current balance of the debt funds are as follows:

Exhibit 4
Redevelopment Loans Outstanding ($ in 000s)

Loans To / Loans From	General RDA	Library	Vets Memorial	TOTAL
General Fund	1,722.3	1,774.9	1,181.9	$4,679.2
Parking Fund	-	-	585.3	$585.3
TOTAL	$1,722.3	$1,774.9	$1,767.3	$5,264.5

The Agency currently owes the City $5.3M, of which, $3.5M is for exempt projects. The Agency debt for both principal and accrued interest is shown as a receivable in the City's General Fund and although the General Fund Balance includes these amounts, they are not considered liquid assets. The Agency does, however, pay the interest on the General RDA debt annually, and that amount is $137,788.

While this money represents a sum that could be used for other projects such as road repair or police, the Agency will not have the funds available until at least 2011 which is the next time a bond issue is anticipated. Furthermore, because a significant portion of the funds are considered to be "above the cap", interest on this debt represents money that the Agency, and eventually the City when it is repaid, would not have collected otherwise. It is therefore in the best interest of the City, in the long run, to allow the debt to accumulate.

Since this is not the case for the General RDA debt, the Agency, and by extension the City, should be careful not to let the overall debt accumulate to such an extent that it would impact the Agency's ability to fund other Redevelopment projects. Therefore, it is prudent that the Agency continue to pay the interest on this portion of the debt annually, rather than capitalize it.

The RDA recently sold bonds to finish the construction of the library. The next time the RDA will have the capacity to issue bonds is 2011, at the earliest, assuming consistent increases in the assessed values of properties in the Redevelopment Area.

Findings:

- ***The RDA has been a benefit to the City of Lafayette with assessed values in the redevelopment area more than doubling in 14 years.***

- ***The City has effectively leveraged RDA tax increment that would not have otherwise accrued to the Agency by loaning the RDA money for projects. This loan represents a prudent investment on the City's part both because the loan is at a higher interest rate than would be available in today's market and also because it will ultimately allow the City to use RDA funds for general purposes.***

- ***The RDA gives the City another method by which to raise funds for downtown parking if so desired. Therefore, the City now has the option to release up to $2.5 million from the Parking Fund and redeploy the money into road repair.***

Review of Major Capital Improvement Projects

Since 1994, the City has undertaken $111 million in capital improvement projects (CIP) with a number of funding sources. A majority of those projects were related to road and storm drain improvements as well as the Pavement Management Program (PMP). Other capital improvement projects include Parks & Recreation facilities, trails and walkways.

Exhibit 5
Capital Improvement Projects
1994-2007 ($ in 000's)

Funding Sources	PMP	Other Capital Projects	Lafayette Library & Vets Memorial	TOTAL	% of Total
Utility Reimbursements	73	0	112	$185	0.2%
State & Federal Grants	6,268	4,716	11,881	$22,865	21%
Private Contributions	646	437	9,009	$10,091	9%
Parkland Dedication Fees	0	1,681	0	$1,681	2%
Measure C	7,510	4,132	0	$11,642	11%
Gas Tax	3,648	207	0	$3,855	3%
Road & Drain Bonds	12,038	320	0	$12,358	11%
Redevelopment	209	1,087	28,167	$29,463	27%
Other Agencies	0	0	3,130	$3,130	3%
General Fund	13,108	2,253	0	$15,361	14%
TOTAL	**$43,499**	**$14,833**	**$52,298**	**$110,631**	**100%**

This table shows that of the $111 million in CIP since 1994, only 14% has come from the General Fund. Additionally, of the General Fund money spent on CIP since 1994, 85% was spent on paving projects.

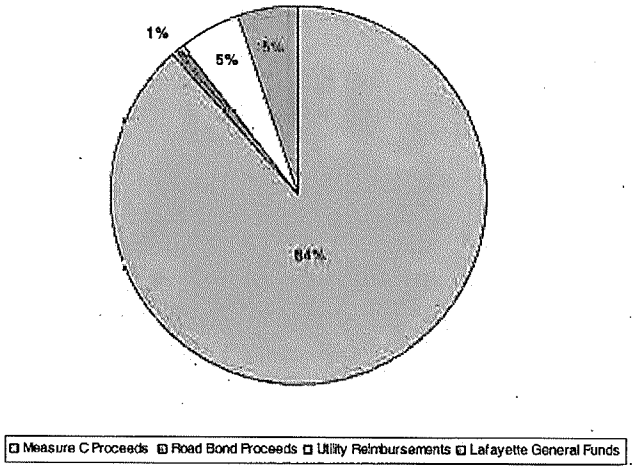
Anecdotal public comments suggest that a large percentage of the taxpayers believe that General Funds are funding large projects and that those monies could be better spent on fixing failing residential streets. Therefore, the Committee selected several of the most recent "high visibility" projects to better understand the sources of revenue for each. The purpose of the review as to determine the amount of General Fund or discretionary revenue spent on these projects that could have been spent on other priorities such as pavement management.

The Committee felt that this review was especially important in light of public comments made during the Council hearings on a possible sales tax increase as well as during the repaving of Mt. Diablo Blvd during the summer of 2008.

Exhibit 6
Select Major Capital Improvement Projects

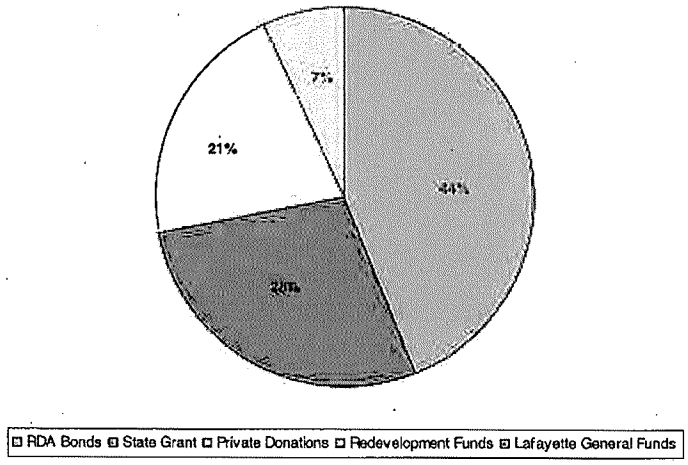
Plaza Park - $2,744,000

- Measure C Proceeds 84%
- Road Bonds Proceeds 10%
- Utility Reimbursement 1%
- **Lafayette General Fund 5%**



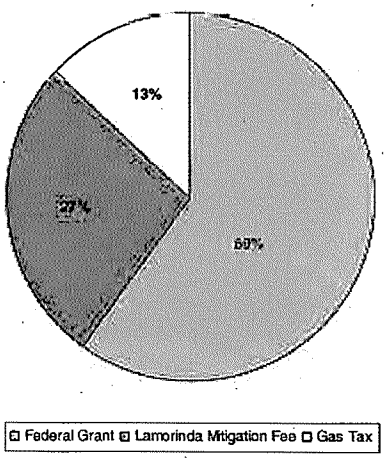
Lafayette Library - $43,000,000

- RDA Bonds 44%
- State Grant 28%
- Private Donations 21%
- Redevelopment Funds 7%
- **Lafayette General Fund 0%**



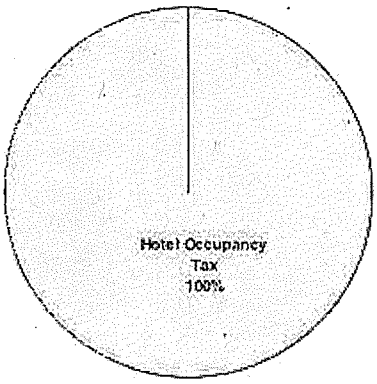
Mt Diablo Road Paving 2008 - $900,000

- Federal Grant 60%
- Lamorinda Mitigation Fee 27%
- Gas Tax 13%
- **Lafayette General Fund 0%**



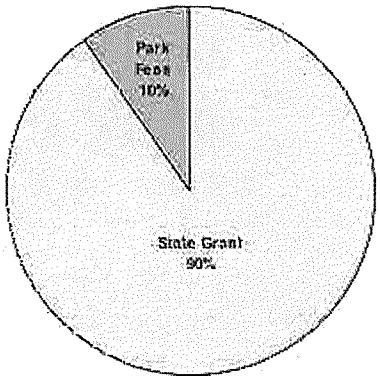
Improvements to Mt. Diablo Blvd. at Park Hotel - $711,000

- Hotel Occupancy Tax 100%
- **Lafayette General Fund 0%**



Buckeye Fields – $1,402,000

- State Parks Bond Fund 90%
- Parkland Dedication Fees 10%
- **Lafayette General Fund 0%**



Findings:

- ***Since 1994, Lafayette has undertaken $111 million in capital improvement projects. Of the capital improvement projects, $43 million was spent on road and storm drain improvements and pavement management, thus demonstrating the City's commitment to road maintenance and repair.***

- ***The City has consistently contributed at least $1 million of General Funds each year to road repair and the Pavement Management Program (PMP). In addition, in years where there was a budget surplus, the City contributed the bulk of the surplus to the Pavement Management Program. In fact, of the General Fund money spent on capital projects, 85% has gone to Pavement Management.***

- ***Of the $111 million in capital improvement projects since 1994, only 14% has come from the General Fund. Other funding sources include special purpose revenue including Measure C Regional Mitigation Fees, Federal and State Grants, and Redevelopment funds that could not have been used to pave residential streets. Therefore, the City is adept at leveraging outside financial sources for capital projects.***

- ***Given Lafayette's limited revenue base, staff's efforts to identify and acquire special purpose funds must remain a high priority.***

- ***In the future, the City Council must adopt a policy to actively inform the citizens of the funding sources for capital projects.***

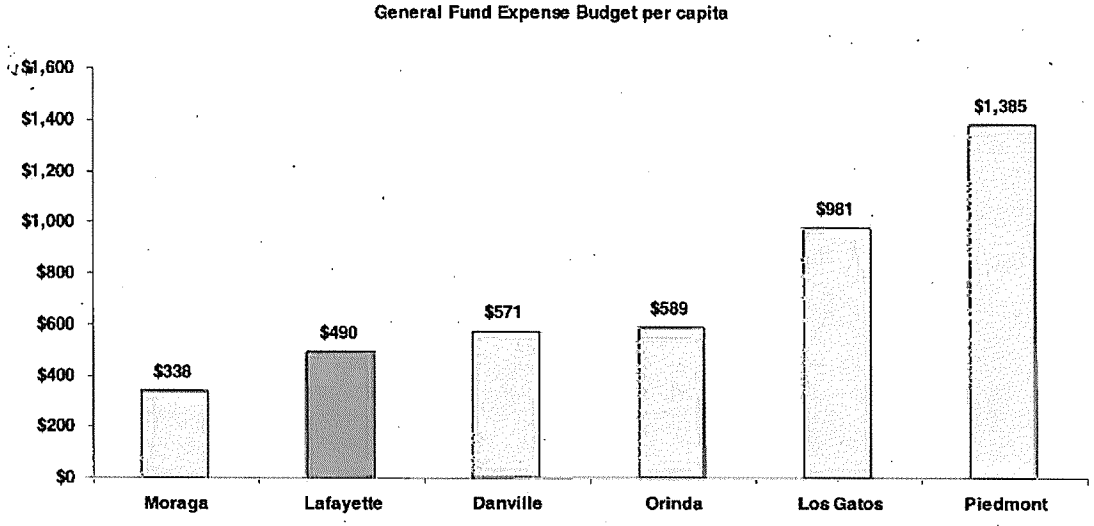
V. EXPENSES

The committee evaluated the 2007-08 budgeted spending for each peer city, assessing spending in each key area as a percentage of total budget as well as spending per capita. The committee also reviewed headcounts of each municipality. Highlights of that analysis are as follows:

Total General Fund Expenses

Lafayette has relatively low per capita spending, which suggests that the City has fewer resources than others to devote to services and indeed, the committee found that Lafayette is among the lowest in per capita revenue as well, which will be discussed in the next section.

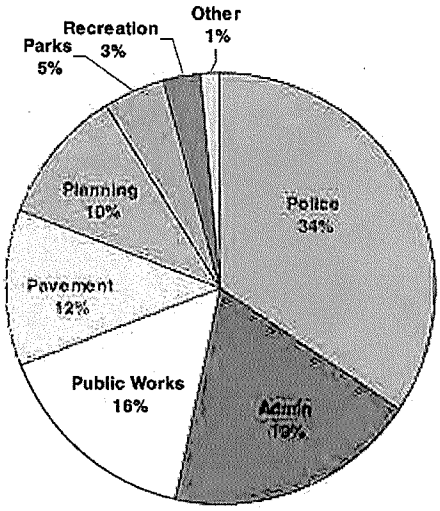
Exhibit 10



The Committee then looked further at specific areas of spending to determine if the residents' stated priorities, the "Four Ps" – Police, Planning, Public Works and Parks -- were being funded appropriately.

Exhibit 11
Lafayette General Fund Expenses

Budget FY 2007-08 ($ in 000s)	
Police	$4,037
Admin	$2,199
Public Works	$1,858
Pavement	$1,367
Planning	$1,224
Parks	$545
Recreation	$317
Other	$176
Total	$11,721

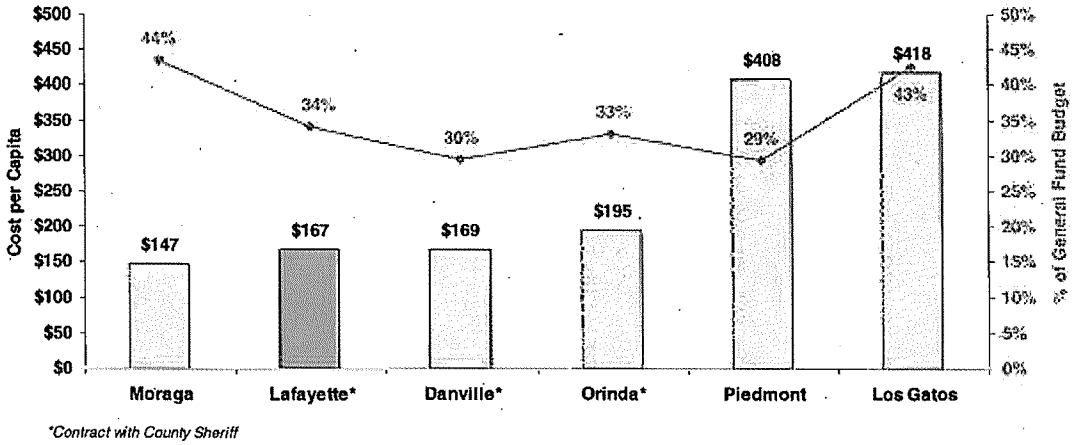


Police

In the category of Police, the committee found that while Lafayette spends a relatively high percentage of the total General Fund budget on police services, as do all the other cities, it still has the second lowest per capita spending of any other peer city.

Exhibit 12

Police Services Budget Comparison



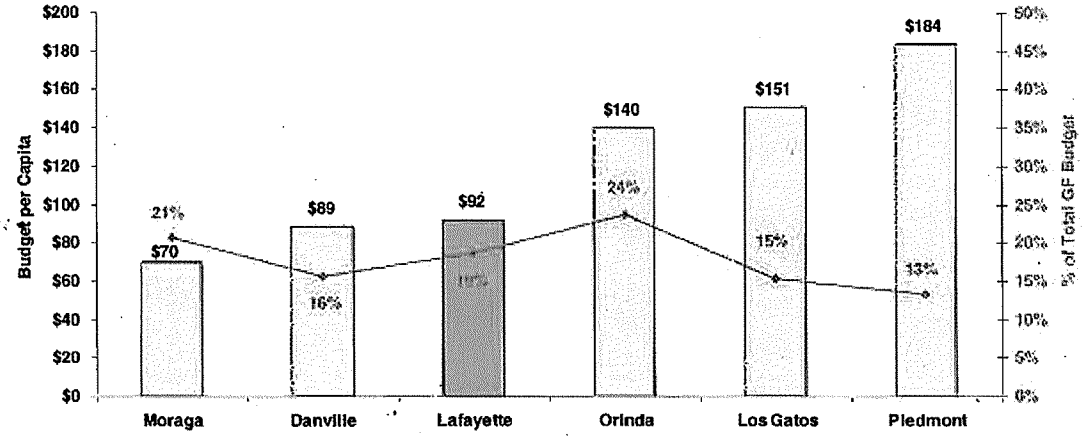
*Contract with County Sheriff

Administrative Expenses

Administrative costs include expenses for City Council, City Clerk, City Manager, Finance, Human Resources, Legal, Rent, Risk Management and Information Technology and represent the second largest General Fund expenditure for Lafayette:

Exhibit 13

Administrative Budget Comparison

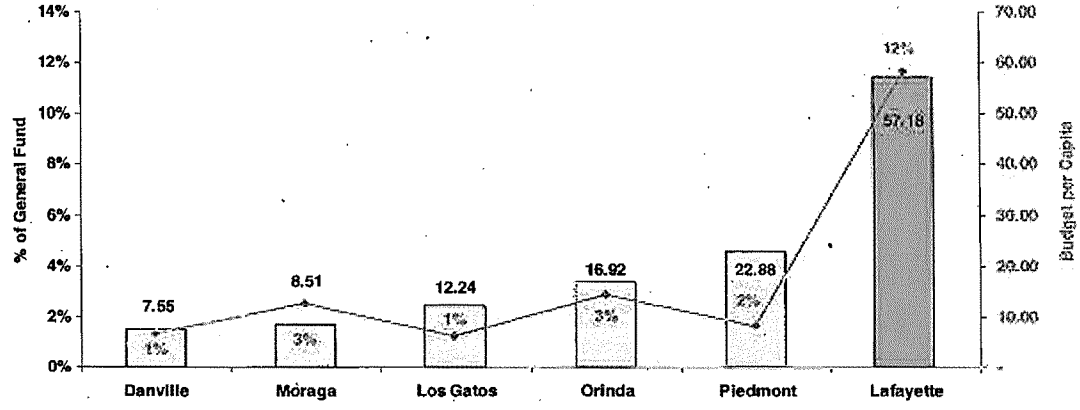


The City currently spends almost $320,000 annually renting offices (including police offices). The 1992 Finance Committee recommended that the City investigate purchasing City offices as a lower cost option to renting. Recently, the City engaged the firm Bay Area Economics (BAE) to evaluate the buy versus lease option for purchasing the old library building on Moraga Road and renovate it to be City Offices (see Appendix 4 on page 48). BAE concluded that renovating the old library has the highest net present value savings ($1.9 million) compared to staying in the existing location. Savings would be up to $50,000 per year by year 10 and increase annually.

Pavement Management

Exhibit 14

Pavement Management Projects Budget



Lafayette spends 12% of its General Fund money on pavement management, more than all other peer cities.

Parks & Recreation

One of the recommendations from the 1992 Report was that Recreation programs become self-sufficient. That is, the cost for classes and programs must generate revenue sufficient to equal expenses. The department has been largely successful in this endeavor. There are however, several subsidies still provided for community services that fall under the Parks & Recreation department:

- ***Community Center Maintenance***
  Expenses for maintaining the Community Center building and grounds at 500 St. Mary's Road as well as playground equipment total $225,000 for FY2007-08.

- ***Parks & Trails Maintenance***
  Expenses for maintaining the three city parks (Community Park, Buckeye Fields, Leigh Creekside Park) as well as the playground at Brook Street, average over $300,000 annually. A portion of the costs are offset by payments from renting the facilities as well as payments from Little League and LMYA which total approximately $56,000 for a net cost of $244,000.

- ***Senior Services & Senior Transportation***
  Senior Services expenses are $60,000 annually and the program generates no revenue. In addition The General Fund contributes $25,000 annually to the Senior Transportation program. The program does receive additional revenue from grants, donations and rider fees. Although the "Spirit Van" services seniors in the Lamorinda area, neither Moraga nor Orinda contributes funds to the program.

- ***Youth Services***
  Youth Services expenses are $40,000 annually and although the program generates revenue with their events, the net profit is distributed by the Youth Commission to various charity organizations.

Downtown Vitality

The City funds a number of programs and events that benefit the vitality of the downtown business district such as:

- Median landscaping & sidewalk repairs - $250,000
- Lafayette Art & Wine Festival and Reservoir Run - $47,500
- Chamber of Commerce support - $30,000
- Streetpole banners - $27,500
- Holiday twinkle lights - $10,000

Compensation

Employee costs for all departments account for 20% of the General Fund expenditures and after police services, represent the next largest expense category. Therefore, the Committee reviewed both the size of the staff, compensation methodology, and overall compensation as compared with peer cities and benchmarks.

Staff Size

When the City incorporated in 1968 most of the functions were contracted. There were no planners, engineers, recreation, or public works employees.

- Although the City started with only 6 employees (mostly administrative), by 1978 there were 20, all of whom were funded by the General Fund. Today the General Fund supports 21.3 FTEs because many of the positions added since are outside the General Fund (e.g. Recreation, Code and Parking Enforcement, Lamorinda Bus Program Manager, Redevelopment).

- Since 1968, the state and federal governments have imposed many new regulations and mandates (stormwater pollution control, environmental reviews and protections, redevelopment, permit streamlining). In addition, the City, in an effort to maintain the semi-rural character of the city, engaged in additional complex planning activities (e.g. hillside ordinance, parking & circulation, tree protection, sign ordinance, etc.). The planning functions are largely supported by fees.

- The Pavement Management Program launched in1995 has required at least 3 engineers.

Salaries & Benefits

- The City sets salary ranges by benchmarking nine peer cities to ensure that Lafayette's salaries coincide with the mean of the peers.

- With few exceptions, most government entities are in the Public Employee Retirement System (PERS) retirement system. PERS is a defined benefit program that includes annual Cost of Living (COLA) adjustments. Lafayette does not participate in PERS, but instead employs a 401(a) plan, which is a defined contribution system, similar to the private sector 401(k). Therefore, Lafayette is able to control retirement costs much better than those cities in the PERS program, whose costs may increase significantly due to the profitability of the PERS investments which are outside the control of the local entities.

- Because PERS employees also get full lifetime retirement health benefits many of these agencies also have large, unfunded pension liabilities. Since Lafayette does not offer the same level of retiree health benefits, the City's unfunded liability is much less and a reserve account has already been started to cover the obligation.

- Unlike its peers, salary increases for Lafayette employees are entirely merit based. Most cities compensation programs include an automatic "step increase" of 5% in addition to a COLA.

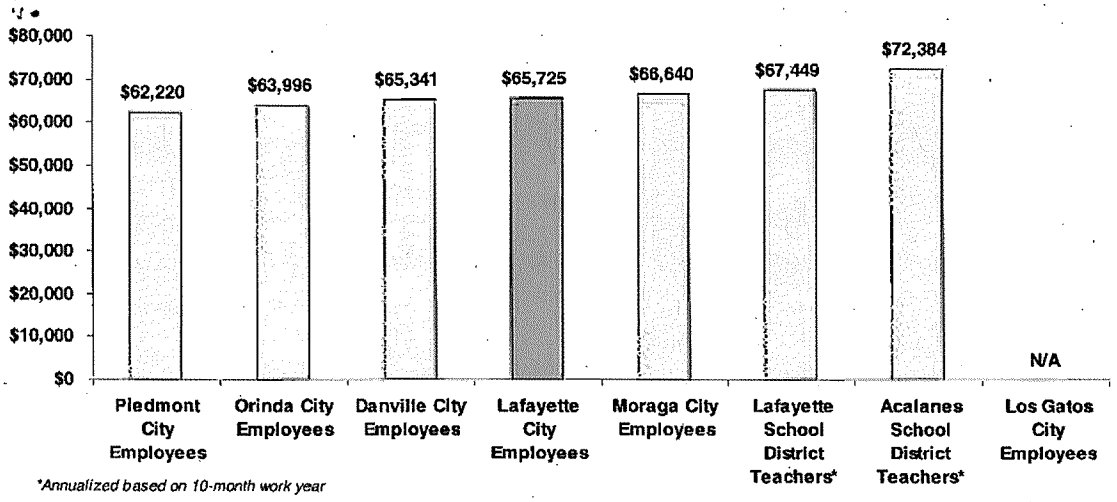
Overall Compensation

- When benchmarked against the peer cities, the median annual salary for Lafayette employees is in line with others.

- The median salary of Lafayette City employees is less than the median annualized salary for teachers in the Lafayette and Acalanes school districts.

Exhibit 15

Annual Median Salaries



*Annualized based on 10-month work year

Findings:

- ***Compared to the peer cities, Lafayette is among the lowest in per capita General Fund spending. The City is second lowest in Police Services, third lowest in Administrative expenditures, highest in spending on Pavement Management projects and on par with compensation.***

- ***In keeping with stated policy priorities, Lafayette spends nearly 78% of the General Funds budget on Police, Planning, Public Works and Pavement, and Parks.***

- *The General Fund subsidizes some programs through the Parks and Rec department:*
  - *$225,000 per year maintenance for the Community Center*
  - *Net $224,000 for park maintenance*
  - *$85,000 per year to seniors through Senior Services and the Senior Transportation program.*
  - *$40,000 for Youth Services*

- *The General Fund subsidizes as much as $365,000 annually for programs, events and maintenance that enhance downtown vitality.*

- *The City manages expenses carefully, though the Finance Committee has identified a few areas where costs could be lowered.*

RECOMMENDATION 1 – PURCHASE CITY OFFICES

Since Lafayette is obligated to purchase the old library from the county an opportunity is created to reduce office space expenses. If the City had purchased office space in 1992 at the time of the Finance Committee recommendations we would be saving approximately $50,000 per year on office costs. Current studies suggest net present value (NPV) savings of $1.9 million over 30 years for the purchase option. The City should further fund the renovation of the library via Certificates of Participation and release the balance of the City Offices Fund to the pavement management program.

RECOMMENDATION 2 – EVALUATE OPTIONS FOR MORE COST EFFECTIVE POLICE SERVICES

The City continues to be challenged by the dilemma of how to fund law enforcement at a level of service that addresses the expectations of the citizenry without devoting the entire General Fund to this expense category. With respect to funding for law enforcement, the Committee strongly believes that the status quo is not an option. The City Council should immediately launch the review by an independent to evaluate more cost effective options for law enforcement in Lafayette.

RECOMMENDATION 3 – YOUTH DIVERSION OFFICER

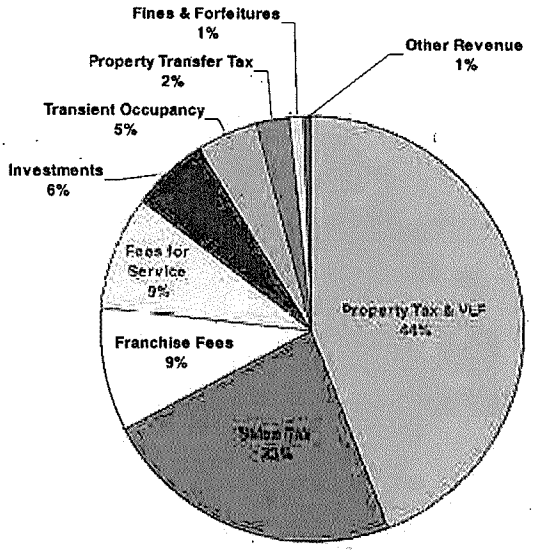
The Committee recommends that the Youth Diversion Officer be reclassified as a non-sworn officer resulting in approximately $100,000 in annual General Fund savings.

VI. REVENUE

The Committee evaluated revenue budgets as compared to the six peer cites for 2007-08 to develop recommendations. Though some expense savings have been identified, the scope of the infrastructure shortfall will not be bridged through cost savings alone. The City must find additional sources of sustained revenue to meet its unfunded needs, both past and future.

Exhibit 16
Lafayette General Fund Revenue

Budget FY 2007-08 ($ in 000s)	
Property Tax & VLF	$5,293
Sales Tax	$2,776
Franchise Fees	$1,115
Fees for Service	$1,052
Investments	$688
Transient Occupancy	$550
Property Transfer Tax	$299
Fines & Forfeitures	$150
Other Revenue	$62
TOTAL	$11,984



Property Tax and Vehicle License Fees

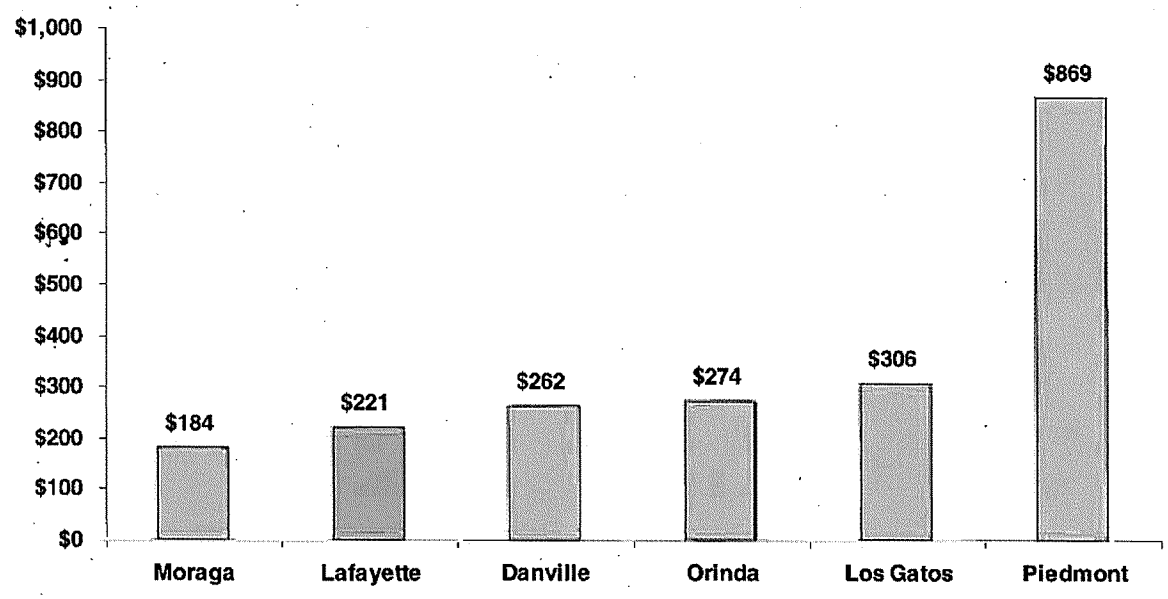
Property taxes are the largest source of revenue for the General Fund, however, Lafayette receives only 6% of the total taxes paid by property owners due to the City's status as a "low property tax city"; a condition that was engendered during incorporation and one that cannot be changed now.

Vehicle License Fees (VLF) are taxes paid by all California vehicle owners. The apportionment of these fees is based on population. In addition, as part of the state budget in 2004-05 that permanently lowered the VLF, the "backfill" previously paid to cities by the State was replaced by a like amount of property taxes and grows each year in proportion to the growth in assessed values in the jurisdiction (this is known as the "triple flip").

Therefore, when comparing property tax for peer cities, the calculation includes both "regular" property taxes as well as VLF. It is also instructive to note that some cities are also responsible for delivering services such as fire, library, building inspection, etc. that Lafayette does not, therefore, their property tax revenue may be higher per capita for those reasons.

Exhibit 17

Property Tax & VLF per Capita



Lafayette has been somewhat insulated from the current real estate meltdown and the assessed value of properties actually increased by almost 7% last year whereas many cities saw an overall decrease. However, because the real estate market as a whole has slowed, Lafayette has seen a decline in the number of properties that turn over, thus leading to basically flat revenues year over year.

Additional property taxes can be levied if passed by a supermajority (2/3) of voters. These taxes can either be ad valorem (based on assessed value) or parcel (flat rate) and can be used to fund projects either on a "pay as you go" basis, or to secure bonds. In 1995, the City successfully passed a $13 million bond to fund road repairs for the major streets and arterials. That bond was secured by a tax of up to $21.50 per $1000 in assessed value of properties within the City.

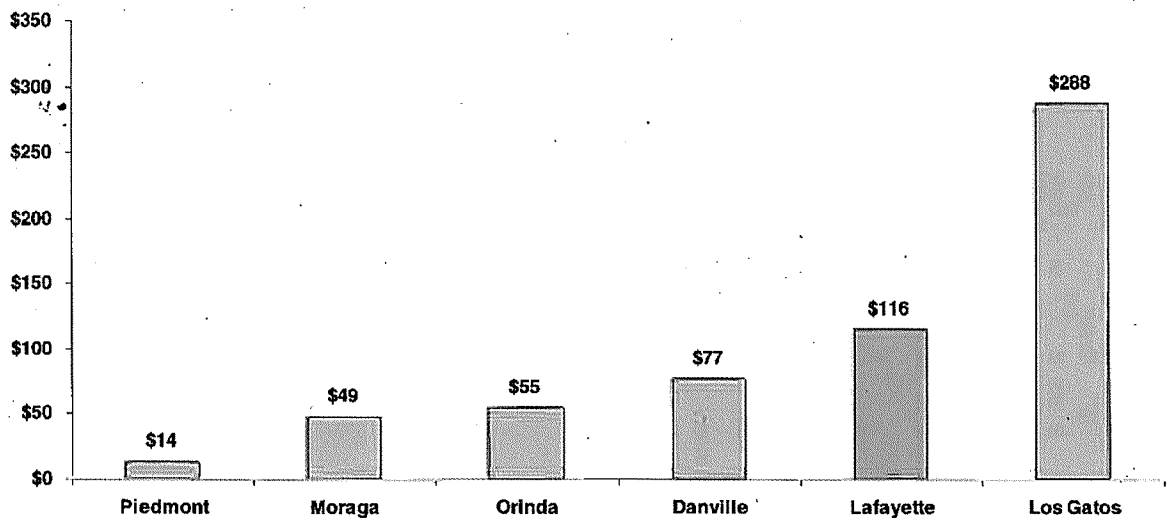
Lafayette has further attempted both ad valorem and parcel taxes in the last 6 years to fund local road repair and increase police services. These measures have failed to achieve the two-thirds majority vote necessary for passage.

Sales Tax

Lafayette currently receives 23% of its revenue from sales tax. The standard statewide sales tax is 7.25% of which, the City of Lafayette gets 1%. Therefore, for every $100 dollars spent in Lafayette, the City receives $1 in sales tax revenue. Lafayette, with its base of restaurants and retail does very well in sales tax revenue as compared to its peers. Over 25% of Los Gatos' sales tax is attributable to Netflix, in addition, Los Gatos has 5 retail auto dealerships.

Exhibit 18

Sales Tax per Capita



Local jurisdictions may increase their sales tax rate, and doing so requires a simple majority vote of the residents

Franchise Fees

Franchise fees are paid by utilities that need access to the City's right-of-way in order to deliver their services. The City currently has franchise agreements with cable, waste management and power companies. The City's ability to impose and/or increase franchise fees is limited and generally subject to Federal limitations in the case of cable and power.

Fees for Services / Fines

Cities can charge for services they provide. Fees for these services must have a nexus, meaning that the fee needs to tracks back to a specific expense that is incurred due to the service. Currently the City of Lafayette covers approximately 70% of its Planning Department expenses this way. There are other potential fees such as fees for home alarms, parking or traffic penalties and fines that may be able to generate income.

One area the City collects significant fees and fines is from parking. In 1995, the City Council began accumulating funds for downtown parking, however, the city has been largely unsuccessful in acquiring land that would be both suitable and affordable. The Parking Fund has now grown to more than $2M with additional funds being accumulated every year by about $100,000 annually. The City's RDA revenue, which was minimal in 1995, now represents another option to fund downtown parking projects.

Transient Occupancy Tax

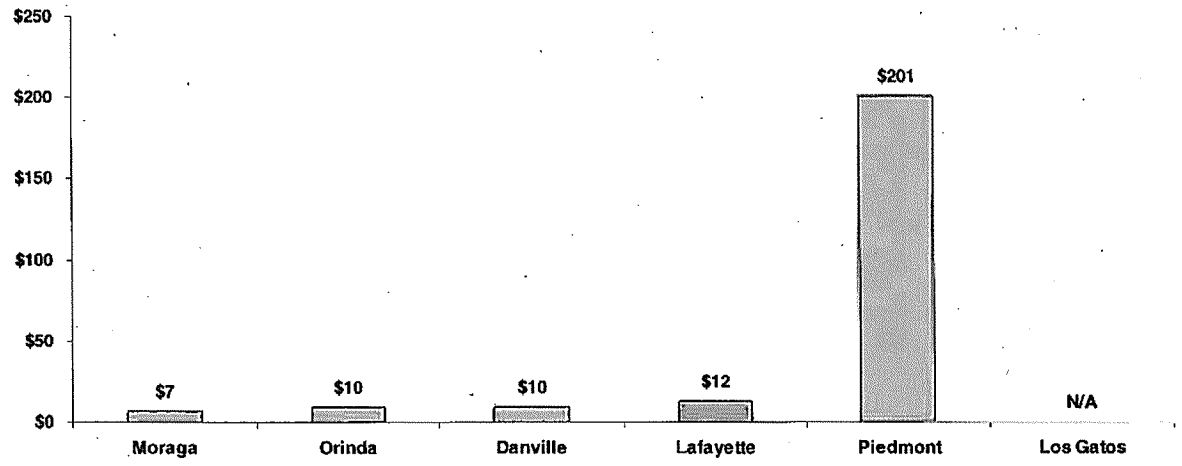
These are otherwise known as "hotel taxes". The City's current rate is 9.5% that includes an increase of 1.5% in 2004 that was used primarily to fund improvements in front of the Park Hotel. While this tax currently brings in over $500,000 in revenue annually, with just one hotel in the City, it does not represent a significant opportunity for additional revenue. Of the peer cities, only Los Gatos has a transient occupancy tax which is 10%.

Property Transfer Tax

When properties change ownership, a property transfer tax is assessed. For General Law cities, such as Lafayette, the rate is 0.055%. However, Charter cities can set any rate that is approved by 2/3 of the voters. Of the peer cities, Piedmont is the only charter city and has a rate of 1.3%. *(Note: Los Gatos does not separately account for property transfer taxes from regular property taxes.)*

Exhibit 19

Property Transfer Tax per Capita



Special Assessment Districts

Assessment district revenues are not General Funds, but they are used to fund construction and maintenance expenses for specific improvements that benefit property owners in the district. Lafayette currently has one such district, the Core Area Assessment District which basically runs along the Mount Diablo Boulevard business corridor which funds the landscape, lighting, sidewalk and street maintenance in this area.

Other communities, such as Danville, have a number of assessment districts for lighting and landscaping as well as for parking structures. For example, Danville generates over $3 million annually in revenue from their lighting & landscaping assessment districts

The assessment for Lafayette's downtown assessment district has not been raised since 1984 and services in this area now generate a $250,000 annual shortfall, however, a special assessment ballot measure failed to gain property owner support in 2007.

Utility User Tax

Lafayette does not have a Utility User tax on telephone, electricity, gas, cable or water. Many local cities tax some or all of the above at rates ranging from 1-10% (see Appendix 5 on page 56). Piedmont, for example generates over $1 million per year for the General Fund from the Utility Users Tax with less than half of the number of residents compared to Lafayette. A recent phone survey conducted among Lafayette residents showed little support for adding such a tax in Lafayette, though the revenue potential is substantial.

Business License Tax

Lafayette does not have a Business License tax. A Business License tax must be approved by a simple majority of voters (50% + 1). The tax can be structured in a variety of ways, either as a flat rate, based on revenue or a combination of both. Cities have access to selected tax data from their local businesses in order to simplify administration, however, imposing, collecting and enforcing the tax would involve additional administrative expenses. Though only three of the peer cities have this tax, most Bay Area cities impose this tax (see Appendix 6 on page 58).

Exhibit 20
Business License Tax

City	Annual Revenue	Revenue Per Capita
Danville	$330,000	$7.91
Los Gatos	$1,050,000	$36.72
Piedmont	$385,000	$35.15

Again, a large portion of Los Gatos' business license tax income is due to Netflix. However, it is interesting to note that Piedmont, which has negligible retail within the city limits, generates a significant amount of business license tax income. They are able to do so by aggressively seeking those who are self-employed or who have home-based businesses.

Findings:

- ***Lafayette compares favorably to peer cities in revenue from sales tax, occupancy tax, franchise fees, fines and penalties, and licenses and permits.***

- ***The RDA gives the City additional sources of revenue for downtown projects and improvements.***

- ***Given the size of Lafayette's infrastructure and law enforcement needs, and the current efficiency of the City finances, cost savings alone are not sufficient to meet the all City's needs. Additional sources of sustained revenue are imperative.***

- ***Of the revenue enhancement options available, Lafayette does not currently utilize opportunities that other cities employ such as:***

  Utility User Tax: Potential revenue: $1-2M/year

  Lafayette does not have a Utility User tax on telephone, electricity, gas, cable or water. Many local cities tax some or all of the above at rates ranging from 1-10%. Piedmont, for example generates over $1 million per year for the General Fund from the Utility Users Tax with less than half of the number of residents compared to Lafayette. The recent phone survey conducted among Lafayette residents showed little support for adding such a tax in Lafayette, though the revenue potential is substantial.

- ***Sales Tax: Potential revenue (1/2%): $1.25M/year***

  In July 2008, a poll of 600 likely Lafayette voters suggested that a sales tax measure would be favorably received by Lafayette voters, with 59% indicating support even after hearing a series of arguments against the measure. However, given opposition from the Chamber of Commerce, the City Council decided not to pursue the measure.

- ***Property Transfer Tax: Potential revenue: $2-7M/year***

  Lafayette collects a small tax currently when property is sold within the city. The rate is currently 0.055% and results in less than $300,000 per year. Adopting a 1.3% rate such as Piedmont charges, would result in an additional $6-7 million per year. In order to raise this tax, Lafayette residents would first have to approve a change for Lafayette to become a Charter City (we are currently a General Law City) and then approve the tax increase on property transfers. The benefit of this tax is that the tax is only paid when property is sold.

- *Business License Tax: Potential revenue: $300,000+/year*

  Unlike many communities in Santa Clara, Alameda and Contra Costa Counties, Lafayette does not have a Business License tax. Proceeds from such a tax could be established to support downtown vitality and reduce or eliminate expenditures from the General Fund. The Chamber has expressed support for this type of tax as businesses are used to paying it elsewhere. This tax would require a simple majority voter approval.

- *Assessment Districts*

  Though Lafayette currently has one Special Assessment District, future projects for parking, landscaping, maintenance, etc. should be funded through these types of Districts to avoid drains on the General Fund. Assessments should be approved by property owners before improvements are made and include provisions to escalate the assessment annually for inflationary increases.

- *Certificates of Participation (COPs)*

  COPs are lease-purchase agreements that can provide cities with an alternative financing mechanism to cash purchases or bonded debt in order to construct capital improvements or purchase equipment. Cities such as Orinda have used COPs to build their City Hall facilities.

RECOMMENDATION 4
The City should transfer the current balance in the Parking fund to the pavement management program. Downtown parking can be funded through the RDA. Additionally, the annual surplus revenue from Parking Enforcement could be used to fund downtown vitality.

RECOMMENDATION 5
Fund future downtown maintenance (e.g. parking structures, landscaping and lighting, other improvements) with assessment districts.

The City should pursue one or more of the following revenue enhancement opportunities to fund infrastructure and public safety needs:

RECOMMENDATION 6

A. The largest opportunity by far is to increase the City's Property Transfer Tax. This could result in an additional $2-7 million per year in ongoing revenue. Property Transfer Taxes are only collected at the time of property sale and negotiated between the buyer and seller. About 6% of properties turn over each year in Lafayette.

   This option would require that Lafayette become a Charter City, a change which must be approved by a majority of voters. The additional Transfer Tax would also need to be approved by voters. There are a number of ramifications of becoming a Charter city that should be carefully considered before proceeding.

B. A Sales Tax increase also represents a sustainable revenue source that could be used to support downtown vitality. Since this tax is collected by the state, no additional administrative costs would be incurred by the City.

C. A Business License tax would generate revenue sufficient to cover the City's share of the costs to support downtown vitality. However, the Council should be aware that this tax would require a certain level of administrative expenses that would partially offset the benefit. Additional staff may need to be hired.

VII. COMMUNICATION

The committee believes there is an opportunity to improve communication with the citizens of Lafayette with respect to how projects are financed and the extent to which scarce General Fund Revenues are stretched. This gap in communication is perhaps best evidenced by the discussions that took place while Mt. Diablo Blvd was being repaved. The Committee recommends that the City Council adopt a multi-faceted Communications Plan to inform the Citizens of Lafayette of city finances, potential new revenue sources and committee reports. Some ideas the committee recommends are:

- Using a program such as Constant Contact to send email communications.
- Targeted mailings of key findings and recommendations and a summary of key city financial activities and issues.
- Use of local newspapers, in the form of an article or editorial.
- Presentations to civic groups such as Rotary, Chamber of Commerce, Neighborhood Association.
- Complete Report, together with Executive Summary, posted on the Website – reference to the Website should be included in all other publicity.
- Complete Report available for distribution at Library, at City Hall and at the Chamber of Commerce Office.
- Executive Summary included in Vistas.
- Large sign boards visibly placed at all current and future projects, beginning with the new Library, that summarize the sources of funds
- Coordinate learning opportunities about municipal operations with local schools.

VIII. APPENDICES

1. Expense Reduction Options – page 34
2. 1992 Study and Findings – page 43
3. Department Head Interviews – page 45
4. City Offices Study – Page 48
5. Utility Tax – Page 56
6. Business Licenses – page 58
7. Bios – Page 60

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

General

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Reduce payroll by 10% by converting workweek to M-Th, 8AM to 6PM, closing Friday.*	No customer service available on Fridays. Less time available for staff analysis; longer application and customer service delays. Delays in posting and disseminating public information. May have to reduce number of commissions and / or commission support. May result in attrition of high caliber employees; loss of institutional knowledge; worse service.	$340,000	Ongoing
Close City Offices between Christmas and New Years Holidays*	No customer service during that period. *(Note: This will likely not result in early year cash savings,since most employees will choose to be paid with accrued leave. Over time, it would reduce the vacation liability and thus, total city cost.)*	$70,000	Ongoing
		TOTAL $410,000	

*Would require meet and confer with Association of Lafayette Employees

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Police

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Eliminate Lamorinda Emergency Preparedness Coordinator	These funds were budgeted in the anticipation that the three cities would jointly fund a full-time position to coordinate and manage emergency preparedness efforts in Lamorinda. Elimination would result in no regional emergency planning. Impact is difficult to gauge.	$45,000	Ongoing
Eliminate downtown COPS officer	Would eliminate patroller dedicated to downtown beat; would reduce response time; would reduce backup response for other officers. *Position was added several years ago when matching grant from State became available. State's share is now likely to be eliminated. Should position thus also be eliminated?*	$196,500	Ongoing
Eliminate second sergeant	Would eliminate swing shift sergeant added 3 years ago. Patrol officers on shift would be supervised by sergeant located outside of the City. Impact would be diminished supervision on important shift; no immediate supervision of youngest / least experienced officers; diminished response to critical events, e.g., crimes, car accidents, etc. during certain shifts.	$220,000	Ongoing
Reclassify Youth Diversion officer as a non-sworn officer	No immediate apparent service diminution. Non-sworn Youth Diversion officer, however, would not have power to make arrests. A non-rotating officer, though, may create longer-term and more successful relationships with school administrators.	$100,000	Ongoing
Acquire Police Services from a less expensive provider	May require significant start up costs. Would require at least a two year transition. Council has budgeted $50,000 to study this option. Estimate presumes a 10% savings.	$400,000	Ongoing
	TOTAL	$961,500	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Senior & Youth Services

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Challenge Senior Services Center to be entirely self supporting within two years or, alternatively, close Senior Center.	Fees for senior programs could rise significantly or, alternatively services for seniors could be eliminated at the Lafayette Community Center. Seniors could be directed to participate at other community venues such as the active senior community at the Lafayette Methodist Church.	$70,000	Ongoing
Challenge Senior Transportation Program to be entirely self supporting within two years or, alternatively, eliminate Senior Transportation program	Fees per ride could rise to point where they are unaffordable to needy seniors. This service would no longer be available to disabled seniors needing rides.	$25,000	Ongoing
Challenge Youth Commission to be entirely self supporting within two years or, alternatively, eliminate Youth Commission and programs.	Fees for youth programs could rise significantly or, alternatively, youth services could be eliminated. Lafayette youth would no longer create activities for youth and raise funds for community projects. Haunted House, teen dances, and other youth oriented activities would be eliminated.	$33,000	Ongoing
	TOTAL	$128,000	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Parks and Recreation Services

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Impose cost recovery to recreation classes for administrative costs, finance/payroll costs.	Could increase class fees by five percent or more, making them uncompetitive with other vendors; could reduce participation.	$55,000	Ongoing
Impose cost recovery to recreation classes for Community Center utility costs (Water, Sewer, Gas/Electric)	Could increase class fees by three percent or more, making them uncompetitive with other vendors; could reduce participation.	$36,000	Ongoing
Impose cost recovery to recreation classes for all Community Center maintenance expenses	Could increase class fees significantly, making them uncompetitive with other vendors; could reduce participation.	$175,000	Ongoing
Charge facility users full cost recovery as a percentage of available use, e.g., Little League might pay 60%, LMYA 40% for all Buckeye Fields costs. Would apply to Buckeye Fields, Community Park Fields, and RINK.	Would increase field fees, and thus sports team participation fees, very significantly.	TBD	Ongoing
	TOTAL	$266,000	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Downtown Vitality / Special Events

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Eliminate streetpole banner program	Reduced visual interest; less colorful downtown. Could result in less vital downtown; less desirable tenants; reduced sales taxes.	$27,500	Ongoing
Eliminate holiday twinkle light program	Reduced visual interest; less festive holiday atmosphere. Could result in less vital downtown; less desirable tenants; reduced sales taxes.	$10,000	Ongoing
Eliminate Chamber of Commerce Support	Higher Chamber dues required could reduce membership levels and Chamber vitality. Could result in fewer or smaller special events.	$30,000	Ongoing
Eliminate co-sponsorship of Lafayette Art & Wine Festival, Reservoir Run and other special events	Would pass expenses for police and public works for all special events on to the Chamber of Commerce. Could result in fewer or smaller special events.	$47,500	Ongoing
Eliminate or downscale landscaping in downtown medians; try more efficient alternatives to downtown landscaping. Use remaining RDA funds to create medians that require less water and maintenance, thus creating savings for the General Fund over the long term.	Could result in reduced visual interest; less lush downtown; public improvements may not be consistent with private improvements; may signal declining downtown and discourage private property owners from redevelo+B62ping or doing high quality maintenance. Could result in less vital downtown; less desirable tenants; reduced sales taxes.	$125,000 - $250,000	Ongoing
Eliminate Ongoing arts grant	Would eliminate support for important art projects, e.g., Town Hall piano.	$5,000	Ongoing
Eliminate Commissions Day / Holiday Party	May impact commissioner and employee continuing education efforts and morale.	$5,000	Ongoing
	TOTAL	$240,600 - $365,600	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Commissions

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Streamline planning and development regulations to allow more development by right, thus requiring less aesthetic and commission review. Less staff time required.	Far less community input into aesthetic decisions related to built environment. Less local expertise applied to land use decisions. More staff control. Would eliminate one planning position.	$114,500	Ongoing
Conduct study to determine efficiency, efficacy, costs, and staffing of City Commissions; seek opportunities to privatize or consolodate commissions; reduce staff required to support commissions.	Some commissions could be decoupled from City and encouraged to operate independently, and thus not be subject to Brown Act, FPPC, and other mandates, and not require staff support. Members would not be appointed or controlled by City Council. Less community involvement and public input.	Up to $160,000	Ongoing
	TOTAL	$114,500	$274,500

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Real Estate

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Alternative A: Continue to rent offices, and release $2.5M City Offices Fund to pay for other services.	Could result in earlier completion of other projects (e.g. roads) but higher long term costs for City. City currently conducting cost-benefit analysis of move to Old Library.	One-Time Revenue of $2.5M	One-Time
Alternative B: Move City Offices from Desco Plaza to Old Library. Deposit net savings into General Fund.	None. Would take up to two years to achieve and will require an upfront capital investment of perhaps $4M. Meanwhile, City has spent more than $3M in rent over last ten years. Use City Offices fund to purchase land and pay for building retrofit.	as much as $200,000	Ongoing
Alternative C: Move City Offices to Old Library; issue Certificates of Participation supported by savings in rent to fund improvements on the building and release up to $2.5M in City Offices fund to pay for other projects (e.g. roads).	None. Would take up to two years to achieve and will require an upfront capital investment of perhaps $4M. Meanwhile, City has spent more than $3M in rent over last ten years. Use City Offices fund to purchase land and pay for building retrofit.	One-Time Revenue of $2.5M	One-Time
Charge market rate to NPOs for space at Lafayette Community Center	None.	Minimal	Ongoing
		TOTAL $200,000+	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Contracting

Action	Service Implication	Estimated Net Annual General Fund Savings	Ongoing or One-Time
Bring Attorney in-house as a half-time position. Continue to contract with BBK for specialized legal services.	Could result in cost savings, better cost control; less expertise; less vacation coverage; would requre recruitment for new attorney; loss of institutional knowledge	$25,000	Ongoing
Explore other opportunities for contracting vs. in-house provision of services	Would vary	Unknown	Ongoing
		TOTAL $25,000+	

Appendix 1
CITY OF LAFAYETTE FINANCE REVIEW COMMITTEE
Cost Reduction / Revenue Enhancement Options

Revenue Enhancement

Action	Service Implication	Estimated Net Annual General Fund Impact	Ongoing or One-Time
Divert $2,379,000 Parking Fund balance to pay for road repairs and/or downtown landscaping rather than being saved for off-street parking acquisition.	Neighborhood roads would be repaired sooner; acquisition of additional downtown parking would be delayed. Puts more onus on private developers to provide sufficient downtown parking.	$2,379,000	One-Time
Stop contributing to Parking Fund balances. Flow net parking meter and citation revenue into General Fund. Establish special reserve for parking development payments.	City would rely on Redevelopment Agency or assessment district to provide additional off-street parking in downtown Lafayette.	$100,000	Ongoing
Conduct utilization study of parking and traffic enforcement officers to determine if City can capture additional net revenue by adding or subtracting officers; determine which days / shifts result in maximum revenues	May require funds to conduct study. Could result in more citations written.	TBD	Ongoing
Investigate option to increase parking and traffic citation (e.g., DUI) fee amounts by 50%	People would pay higher fines; may increase resentment toward City.	$100,000	Ongoing
Pay back RDA loan on an accelerated schedule	Money not available until at least 2011 and would be unavailable for other RDA projects; less interest paid to general fund; fewer stimulative projects completed in downtown could result in less potential sales and property tax revenue.	Up to $5,100,000	One-Time
Institute Business License Tax	Needs to be approved by voters at 50%	$200,000	Ongoing
Reduce Reserve Standard to 25% from 50%; divert balance to pay for other services.	Neighborhood roads would be repaired sooner. Would result in lower long term revenue from interest payments; less fiscal stability, higher interest costs due to lower bond ratings; less ability to respond during disaster	Up to $3,000,000	One-Time
	TOTAL	Up to $10.8 million	

City of Lafayette Finance Committee Recommendations 1992

Recommendation	Page #	Status
4.1 Global General Fund		
A. Ensure fair share of state funds		Still in flux in 1992, issue is settled now. 1990-97 phased in extra 1%/yr.
1. Lobbying to keep property tax/trial court funding	59	Proposition 1A passed several years ago to keep state from raiding cities in budget crises.
2. Pursue other avenues to gain larger prop tax share	59	Some cities get more but pay more i.e. for fire, sewer, etc. so difficult to compare exactly.
3. Monitor long term objectives quarterly at Council meetings	59	No longer required.
B. Implement $236k in cuts plus others in Section 2,3		
1. Implement public safety force	36	Not done. Unclear how much could be recaptured from County, fierce resistance from unions, Lafayette overserved for years compared to others (Brentwood: 1 station). Possible alternatives: Lamorinda safety force, contract with Walnut Creek. Separate commission to evaluate options. Cost now $3 mil
2. Increase revenue from assets	54	Some done.
2.a. Conduct sale/lease analysis for each city owned property to determine best use	55	Sold Chistensen site, 1st st. properties, Prouty Norseman sites. Still own El Nido, Mt Diablo Ct,
2.b. Convert porperties into revenue producing assets unless held for specific purpose	55	and parking lot on Mt Diablo on Oakhill (parking for Uncle Yus). Proceeds to City Offices Funds (2.5 mil)
3. Increase planning fees	56	Done. Planning Fees cover 90% of cost.
3.a. Revise rate schedule to reflect full costs for planning and engineering	56	Done. Increases subject to justification studies prove actual impact.
3.b. Conduct review of planning approval process to streamline and/or simplifying	57	Ongoing.
3.c. Require planners and engineers fill out detailed time cards to track project costs	57	Not done, went to flat fee system. Appears to work effectively for City and applicants.
3.d. Limit planning and other fee for service attendance at meetings	57	Flat fees have eliminated the need for this.
4. Move City offices to Community Center	42	Not done - it was decided that the location was too remote, more developed now in terms of rec facilities such as skate rink. Desco lease: 8700 sf, old library 6000 sf. Total cost currently $319k/year Must buy old library from County. Consultant looking at cost to rehab and refit.
5. Recreation Department		
5.a. Phase out recreation subsidy	37	Done. Cost of Community Center maintenance paid by GF, $215k/year. Subsidies for youth $40k, seniors $80k
5.b. Give director P&L responsibility	38	Done.
5.c. Subsidize only "general good" programs	38	Done. Cost of Community Center maintenance paid by GF, $215k/year. Subsidies for youth $40k, seniors $80k
6. Implement previously identified $236 k in cuts		
6.a. Review clerical staffing levels	41	Have one receptionist, 3.75 dept admins.
6.b. Close City offices during lunch time	41	Customer service issues. Cover with split schedule.
7. Public Works Department		
7.a. Consider contracts for certain Public Works ops	40	Done. All PW is contracted.
7.b. Set up strategic schedules to resolve recuring problems	39	Done.
7.c. Investigate requiring private owners to abate weeds in public areas	39	Done.
8. Restrict requests for City Attorney services	32	Done. City Attorney contracted w/ Best, Best, Kreiger annual retainer plus lawsuits. Need approval outside retainer.
9. Coordinate intergovernmental relations	45, 62	Done. 19 CCC cities pooled to hire Sacramento lobbyist (Aaron Reid & Asssoc), passed Prop 1A, works with State
9.a. Assign City Mgr responsibility for coordinating intergovernmental relations	45, 62	and National reps to win grants: $1 mil Buckeye Fields, $350k purchase Creekside Park, PH walkway.
9.b. Reinstate Vistas	46	Done. Quarterly.
9.c. Develop other communication methods: op ed letters, neighborhood meetings, etc	46	Op ed pieces: about one/year, poor turnout at neighborhood meetings.

City of Lafayette Finance Committee Recommendations 1992

Recommendation	Page #	Status
10. Adopt new budget system	48	
10.a. Five year financial plan	48	Not done.
10.b. City and Department performance targets	49	Done, team standards, customer service targets.
10.c. Mgmt authority to make spending decisions and achieve performance targets	48	Done. 999 Accounts max $25k /dept. Last year spent $50k. Total now $193k.
10.d. Emphasis on bottom line not line item results	49	Done.
10.e. Eliminate Council line item review	49	Done.
10.f. Revise check writing policy so Council focuses on major issues	49	Done.
10.g. Review merit pay and establish wider gaps between performance levels	49	Done. One of few cities with merit pay system. Raises last year 0%-7.5%.
10.h. Implement employee incentive system	49	Done. Bonuses periodically.
10. i. Establish employment contract with City Manager	49	Done.
11. Commissions	51	8 commissions, separate and rolled up in budget. Current cost $1.3 million incl City Council.
11.a. Roll all commission costs into one budget program	51	Not done. Benefit?
11.b. Review need for all commissions and committees	51	Council meeets with all commissions/commitees annually.
C. Prepare for more severe cuts if necessary		
1. Develop contigency plan for reducing service	62	Done as needed.
2. Consider temporary tax such as utility tax	62	In process.
4.2 Capital Fund Recommendations		
A. Prepare detailed long range capital expenditure program	62	Done. 5 year Capital Improvement Plan for parks, programs updated yearly.
1. Inspect all infrastructure and set up schedule for maintenance, renovation, etc.	62	Own one building, Community Center, one PW lot. Established series of sinking funds to prepare for roofs,etc.
B. Identify potential state, federal, county funding sources for capital projects	62	See Item 9 above.
C. Institute new funding sources: special assessment districts, taxes, etc	62	Done as needed. In process. Mt. Dialbo special assessment district pays for lights, landscaping, banners. Owners pay $250k/year, GF pays other $250k/year. Tried unsuccessfully to increase last year. Special Assessment districts are costly and difficult to manage and need benefit study to allocate costs.

Appendix 3
Department Head Interviews

Finance and Administration – Tracy Robinson

The committee interviewed Tracy Robinson, Administrative Services Director, and Gonzalo Silva, Financial Services Manager, to understand their perspectives of city financial management. We learned that, as with any organization, the operating style is driven by the tone set at the top. It is apparent that these employees have a deep respect for the city manager, who insists upon an ethic of transparency. Issue resolution is accomplished through open communication and a collaborative approach.

This very positive culture also imbues a strong sense of community in the work place. As a result, the employees seem very happy in their positions, and turnover has been very low, with nearly all of the senior managers being with the city for over seven years.

A sound set of internal controls appears to be in place over the financial operations. Internal financial information is prepared in a timely fashion, with account analyses and comparisons to budget performed regularly. The experience of the staff facilitates an intelligent review of this information.

Annual financial statements are prepared in accordance with governmental accounting standards; the statements are audited by an independent auditing firm, Cropper Accountancy Corporation, who have been the city's auditors for six years. Opinions have been unqualified and while the auditors sometimes offered recommendations to improve controls, no issues were characterized as material weaknesses. Those recommendations were all implemented and the 2007 audit did not identify any additional control points. As of this writing, the field work for the 2008 audit has been completed, but the report has not yet been issued.

A sound set of internal controls appears to be in place over the financial operations. Internal financial information is prepared in a timely fashion, with account analyses and comparisons to budget performed regularly. The experience of the staff facilitates an intelligent review of this information.

Information technology resources and systems appear adequate for the organization's size and complexity. Indeed, the city outsources most of its maintenance and development needs, monitored by the city staff.

Community Development - Ann Meredith

Ann has an MA in Architecture and Urban Planning from UCLA and has worked in the municipal sector her entire career. She started out as a graphic designer in San Leandro and she worked her way up through the planning office and then became head of Community Services for Vallejo prior to coming to Lafayette. Ann has been with the City for approximately 8 years. While Ann was in Vallejo she handled several large special projects including the relocation of Marine World and the redevelopment of Mare Island. She is currently very involved with the RDA and the Lafayette Library project.

Overall Ann believes that the Planning Department produces high quality work, is able to do more with less (i.e. concentrate on quality over quantity) and has staffing levels in line with needs of community and workload. She admits that in Lafayette the planning process is often viewed complicated and slow. While Ann feels it might be more efficient to give more control to individual planners for decisions, the process is largely driven by Lafayette residents who have a strong desire to preserve hillsides and the semi-rural character of the neighborhoods. Lafayette has a very active homeowners group and many citizens are in opposition to development.

The Planning Dept is almost self-sufficient with regard to cost recovery, however this may change in 2009 because of a marked drop in number of residential and commercial projects being done.

Ann also spoke very highly of her current direct reports: Tony Coe, Engineering Services Manager, Niroop Sirvasta, Planning & Building Manager and Ron Lefler, Public Works Manager.

Parks & Recreation Department - Jennifer Russell

Jennifer has been with the City since 1977 when she worked as a summer program aide.

The 1992 study recommended that Parks & Rec increase their program prices to become self-sufficient. Jennifer asked for two years to achieve that goal and in that time she was able to get the overall programs be self-sufficient through fees. Jennifer also believes, however, that there should be a few "free" classes in the range of offerings

The Recreation program offers high quality, reasonably priced programs/classes for all ages/abilities. Jennifer runs the program like a business; and tries not to duplicate offerings that can be found in the private sector. The most successful program is Kindergym.

New plans for the Community Center include moving the Friends of the Lafayette Library out of their space into the new library and repurposing that room and increasing senior center programming and presence since the program draws seniors from all over Lamorinda.

Police Department - Mike Hubbard

Hubbard has been chief of police for 1.5 years. He was also a deputy in Lafayette 16 years ago. Generally, police chiefs for Lafayette must make a 4 year commitment to the position. His philosophy: community based policing with a customer service approach. He strongly believes in giving citizens what they want and he actively communicates with residents through email, the "Friday Message', community outreach, and service organizations. He only wants officers that want to work a city beat

Hubbard likes the fact he can send an officer back to the Sheriff if they aren't working out and he also likes that he doesn't lose beat officers or money due to disability. For example, Moraga's chief is currently working a beat due to the fact that several officers there are out on disability. By being part of the Sheriff's contract, Lafayette only pays for officers that are actively on duty.

Hubbard says that there are three important constituencies in Lafayette: business owners, students/parents/teachers, and seniors.

Business owners want a "presence downtown", they want officers readily available, a bicycle patrol, and crime prevention education. Students, parents and teachers want a youth services officer, youth diversion instead of sending juveniles to county jail, a positive presence on campus and for drivers to "slow down". Lamorinda seniors want less traffic downtown and to be able to around downtown by foot. Chief Hubbard has utilized directed special enforcement to respond to citizens requests regarding speeding, etc.

Because of the enormous economies of scale and the administrative costs of running a separate police agency, the chief does not support a stand-alone police force unless there were at least 24 - 28 sworn officers. This would likely be 6 beat officers, 4 sergeants, 4 traffic officers, 3 detectives, 1 detective sergeant, 2 Youth Services Officers, 2 lieutenants, 1 captain, 1 administrative sergeant, 3 vacation relief, and 1 chief). This type of configuration would only work if we combined Orinda, Moraga, and Lafayette. In addition, it is likely that communications costs would triple, especially if there were a separate dispatch center. Sworn officer costs would probably go down and we could use the Moraga police station as main station since they own their building. When all costs are considered, it would probably cost the same as what we spend now but would offer significantly better coverage.

One way in which the Chief has innovatively decreased costs is to use non-sworn civilians for certain positions. For example, last year the department hired a Community Services Officer who is responsible for taking forensics from crime scenes and working with crime victims to increase their security measures. This frees up 'expensive" officers to continue patrolling beats instead of filling out paperwork. Some agencies have used non-sworn employees as Youth Services Officers as well and this has been successful since it would allow the YSO to build up a long-term relationship with school administrators, students and parents.

bae

Draft – Confidential Consultant Work Product

Memorandum

To: Steven Falk, Tracy Robinson, Ann Merideth, City of Lafayette

From: Ron Golem, BAE

Re: 30-Year Buy/Lease Analysis of Old Library Reuse for Lafayette City Hall

Date: September 16, 2008

Executive Summary

This memorandum presents the results of Bay Area Economics' (BAE) analysis of the financial implications of the City of Lafayette purchasing the Old Library Building on Moraga Road in Lafayette and renovating it for use as City offices. The analysis was conducted by comparing three alternatives: (1) City remains in its current offices with future lease renewals; (2) City relocates to larger leased offices elsewhere in the City; and (3) the City acquires and renovates the Old Library using certificates of participation financing secured by a mortgage on the building.

BAE worked with a team consisting of an architect and a cost estimator to develop conceptual cost estimates for renovation of the Old Library to modern, functional office space able to meet the City's needs. The financial analysis was done through preparation of a 30-year financial model for the three alternatives that calculates the net present value (NPV) of total occupancy cost for the 30-year analysis period to account for the time value of money and to allow comparison between alternatives. BAE and its team's analysis and models are appended to this memorandum.

As shown in the table below, using a five percent discount rate for a net present value analysis, there is potentially a major long-term cost savings from acquiring and renovating the Old Library using 30-year financing when compared to leasing other office space. While more expensive initially, reuse of the Old Library is much cheaper in the long-term, because the City does not experience continuing rent increases. At the end of the 30-year period, the City would own a valuable asset, the Old Library building, on a debt-free basis. This finding reflects the substantial long-term financial advantages of owning real estate versus renting.

	Alternative 1: Current Location	Alternative 2: Lease Larger New Location	Alternative 3: Old Library 30-year Financing
NPV Total Cost	$5.82 million	$6.24 million	$3.90 million

These costs are estimates, and subject to potentially significant changes, as described in the following pages of this memorandum.

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City Requirements and Alternatives

The City currently occupies approximately 5,600 rentable square feet of office space in the Desco Plaza III multi-tenant office building at 3675 Mount Diablo Boulevard (this does not include Police Department space, which is not envisioned for potential relocation to the Old Library). The City is also a frequent user of conference rooms that are shared among building tenants at no charge, and that square footage is not included in the 5,600 square feet. There is no guarantee that the present or future building owner may at a future date choose to rent those conference rooms, requiring the City to either expand its leased premises or accept functional impacts.

The City's lease could be ended as soon as December 31, 2010 and in the current year the City pays $2.72 per square foot per month in rent; there are fixed annual increases in the rental rate. The City also pays an expense pass-through (common in office leases) that adds another $0.37 per square foot per month or more to occupancy costs.

The current City offices suffers from several significant disadvantages, including:

- Lack of sufficient space to meet current and future City staff requirements.
- Lack of control over long-term costs, in that lease rates may rise based on future market conditions (and the Lafayette office market can be considered a strong one, with current rents for comparable space at $3.00 per square foot per month and higher).
- Lack of identity and convenient access for residents to City functions and staff.

The Old Library is an approximately 6,800 gross square feet., and occupies a site of just under three-quarters of an acre. The site could accommodate up to 45 parking spaces, compared to the 30 spaces the City has under its current lease. To allow an additional comparison, it is assumed that an alternative where the City leases office space in another location would also provide approximately 6,000 square feet of space, to allow for the City's need to rent additional conference rooms in an alternative location.

For reuse of the Library, the alternative envisions the use of certificates of participation, a municipal finance tool appropriate for facilities that can provide collateral (such as a building), requiring a 10 percent down payment, with the balance financed over a 30-year term.

Acquisition and Renovation Costs for the Old Library

The Old Library building was originally constructed by the County in 1962, with renovations in 1983. It is an attractive Mid-Century Modern style building with open space that lends itself well to a variety of office layouts, or for other uses. A more detailed analysis of the building, existing conditions, and potential office layouts prepared by Pyatok Architects is appended to this memorandum.

The primary reuse challenge for the building is that it does have a number of problems, is in need of substantial rehabilitation for its current use, and does not meet the functional requirements for modern office space. There is significant water penetration in the building around windows as a result of design flaws and maintenance problems. There is also periodic flooding in the parking lot and from some of the planter areas. The building is in need of some level of seismic retrofit – and while a minimal level of seismic retrofit may be required by code, it is assumed that the City may choose a higher level to ensure the continued usability of its offices after a major earthquake. The building needs a new roof, new HVAC equipment, should have its windows replaced, needs upgrading of its electrical systems to support modern office use, upgrading of its plumbing systems, and so on.

Faithful+Gould, cost estimators, have prepared a conceptual cost estimate for renovation of the Old Library into new City offices, based on the Pyatok analysis. The detailed estimate is appended to this memorandum, and a summary of it is presented below, along with an estimate of supportable fair market value of the building for its purchase from the County is presented on the following page. The total development cost of $473 per square foot exceeds the cost of new construction, and what can be supported by current market rents. These are conceptual costs, subject to revision based on further design work (particularly decisions on an appropriate level of seismic strengthening, and more study on what its cost would be). However, it seems likely that in any event the current condition of the building and the need to increase its capacity to support office use, will result in a construction budget that ultimately exceeds that of new construction.

Setting a Value for Acquisition

This analysis assumes that the County will seek fair market value for the Old Library building, whether it is sold to the City or another party. As discussed above, the high cost of renovating the existing building for office use means that it has "negative" land value for that use (i.e. the cost of renovation, with no allowance for land, exceeds what can be supported by office rents).

This means that the value of the property most likely does not exceed the value of the land for uses that are currently allowed by the City's General Plan and associated zoning (it is assumed that the City would not reuse of the building for retail or other commercial uses).

Conceptual Acquisition & Renovation Budget Old, Lafayette Library

Building Area - Gross Building Area	6,839 sq. ft	
	Total Cost	Cost / Sq. Ft.
Site Acquisition Cost (a)	$840,000	$123
Renovation Cost (b)		
Hard Construction Cost		
Structural Rehabilitation, Including Seismic	$304,221	$44
Demolition (Includes Hazmat Abatement)	$88,524	$13
Curtain Wall & Window Renovation	$63,810	$9
Roof Repair & Replacement	$91,943	$13
Entry, Site, Parking Lot Repair & Improvement	$199,487	$29
Building Systems Replacement	$519,972	$76
Tenant Improvements for New City Offices	$324,567	$47
	$1,592,524	$233
General Contractor and Soft Costs		
General Conditions at 10%	$159,252	
General Contractor Overhead & Profit at 12%	$210,213	
Design & Contingency at 15%	$294,298	
Construction Cost Inflation at 6% to mid-2009	$135,377	
	$799,141	
Total Renovation Cost	$2,391,665	$350
Total Development Cost (Site + Renovation)	**$3,231,665**	**$473**

(a) Based on land value for Old Library site. See memo for explanation.
(b) See Conceptual Cost Estimate detail for further explanation of items.

Sources: Faithful+Gould; BAE, 2008.

According to the Planning Department, the applicable zoning for the site would be single family residential (R6) with a 10,000 square foot minimum lot size. As a practical matter, given the configuration of the parcel, it would not be possible to accommodate more than two residences on the parcel. Based on previous market research on the Lafayette residential market, with consideration for recent market changes, two residences on the site could sell for $1.2 million each or more. Assuming 35 percent of the value of these new houses can be allocated to land, and accounting for demolition costs for the Old Library, the supportable sale price for land would be approximately $840,000.

This calculation is intended to support the financial analysis and serve as a beginning point for discussions with the County, however it does not represent an appraised value, nor a consultant estimate of fair market value.

Risk Factors

Any real estate lease or purchase transaction contains a range of potential risks for either party, and the terms of the transaction are shaped by the parties relative tolerance for risk.

Risks specific to a lease/buy decision include, but are not limited to, the following:

Lease

- Increases in future operating costs, particularly property taxes, since the City does not benefit from the governmental property tax exemption for premises it leases. Future sale by an office landlord of a building and its reassessment pursuant to Proposition 13 could significantly increase costs.
- Similarly, the cost of commercial casualty and liability insurance coverage carried by private property owners may be higher than the costs experienced from the City's insurance program.
- Changes in building ownership may affect the quality of property management and maintenance services offered to the City as a tenant.
- Should market rents increase at a faster rate than increases set forth in the lease, the City could face significantly increased costs for its office space at future lease renewals.

Purchase and Renovation

- If the City acquires and renovates the Old Library, there may be design or construction risks, that would significantly increase costs.
- If the City uses a developer to acquire the building and renovate it, on a lease to own or other basis, there may be risks associated with developer performance.

Pro Forma Analysis

The tables attached to this memorandum show the results of BAE's financial analysis of the three lease and purchase alternatives. The financial analysis was conducted using a spreadsheet pro forma model that BAE prepared based on information provided by City staff, BAE's market research, and building condition assessments and cost estimates by Pyatok Architects and Faithful+Gould. Different assumptions can be input into the pro forma model to determine how they affect the financial results for each alternative.

The first table in the financial analysis provides a comparison of the projected results for the three alternatives. Next, a detailed pro forma analysis for each alternative is provided in a two pages per alternative format. Finally, a summary of key assumptions is provided for all three alternatives.

The key variables analyzed by BAE include the City's net cost of occupancy by year, cumulative occupancy cost over the next 30 years, increase in City equity (for the ownership alternatives), and the net present value of total occupancy costs.

For the ownership alternative with a 30-year certificates of participation financing, an interest rate of 5.0 percent is assumed.

For the leased alternatives BAE assumed an annual five percent increase in base rent. Operating expenses for the lease and purchase alternatives are assumed to have an annual increase of three percent (with leased premises paying only the increase in operating costs above a base year).

The pro formas contain footnotes detailing assumptions for each alternative, and the shared assumptions page provides a comparison for the lease and purchase alternatives..

Conclusions

As shown in the summary of the financial analysis on the following page, and using a five percent discount factor, the net present value (NPV) of total cost for the next 30 years of City occupancy is lowest under Alternative 3, acquisition and renovation of the Old Library using 30-year financing. This finding is premised upon the analysis and assumptions described in this memo.

To the extent that subsequent more detailed design work can bring down renovation costs, the advantage of reuse of the Old Library would increase. On the other hand, the analysis also assumes that the County sells the Old Library for the land value of the site – if it is only willing to accept a considerably higher price then this finding may change.

Limiting Conditions

BAE's analysis has been limited to information and assumptions provided to it by the City, as well as BAE's and its subconsultants research. The pro forma analysis that BAE has conducted is sensitive to changes in assumptions, which may result in different conclusions than are described in this memorandum. More detailed design work and cost estimating may identify conditions or requirements that substantially change costs from what is shown here. It is also assumed that there are no Library Bond funding restrictions that would affect reuse of the Old Library; BAE has not investigated whether this might apply.

Summary of Lafayette City Hall Buy / Lease Alternatives

		Alternative 1 Lease Building Current Location	Alternative 2 Lease Building New Location	Alternative 3 Buy Building 30 Year Financing
Area Leased / Owned				
Total Area in Rentable Square Feet (RSF)		5,597	6,000	6,800
Lease / Operating Costs (a)				
Monthly Lease Rate per RSF - NNN		$3.00	$3.00	n/a
Annual Building Operating Costs - Year 1 per RSF		$0.00	$0.00	$7.44
Occupancy Costs (b)				
Net Occupancy Cost - Year 1		$201,492	$216,000	$242,645
Net Occupancy Cost - Year 10		$316,614	$339,411	$259,493
Net Occupancy Cost - Year 15		$403,617	$432,678	$270,982
Net Occupancy Cost - Year 20		$514,581	$551,633	$284,301
Net Occupancy Cost - Year 30		$836,654	$896,896	$317,640
Cumulative Occupancy Cost - Years 1 - 30 (c)		$13,530,890	$14,505,153	$8,574,132
Cost per RSF per Month - Year 1		$3.00	$3.00	$2.97
Cost per RSF per Month - Year 10		$4.71	$4.71	$3.18
Cost per RSF per Month - Year 15		$6.01	$6.01	$3.32
Cost per RSF per Month - Year 20		$7.66	$7.66	$3.48
Cost per RSF per Month - Year 30		$12.46	$12.46	$3.89
Return on Investment (d)				
Development Cost		n/a	n/a	$3,231,665
Development Cost per RSF		n/a	n/a	$475
Initial Equity Investment		$0	$0	$323,167
Owner Equity - Year 30		$0	$0	$9,058,174
Increase in Equity		$0	$0	$8,735,007
Net Present Value Calculations (e)				
Net Present Value - Discount Rate 1	5.00%	$5,821,736	$6,240,918	$3,897,119

Notes:
See individual alternative spreadsheet for detailed notes. See memorandum for description of alternatives.

(a) Monthly lease rate for Alternative 1 per appraisal, Alternative 2 per market. See schedules for building operating cost assumptions.
(b) Includes lease payments, operating costs, and debt service (if any).
(c) Cumulative cost for buy alternative is net of owner's equity in Year 30.
(d) Measured in current year dollars, i.e. Year 20 investment value shown in Year 20 dollars, net of loan balance and sale expenses.
(e) This calculation shows total cost of occupancy accounting for the time value of money, net of the present value of owner's equity in Year 20.

Source: BAE, 2008.

Shared Assumptions for Premises, Lease Terms, Operating Expenses (a)

Current leased area	5,597	rsf
Current lease expiration	12/31/10	
New Lease Commencement	1/1/11	Year 1
Lease Expiration	12/31/24	Year 15; Option for 5 Years Additional

Leased/Owned Area - Rentable Sq. Ft. (RSF)	Year 1	Year 5	Year 10	Year 15
Alternative 1 - Current Location	5,597	5,597	5,597	5,597
Alternative 2 - New Leased Locations	6,000	6,000	6,000	6,000
Alternatives 3 - New Owned Location	6,800	6,800	6,800	6,800

	Yr 1	Yr 5	Yr 10	Yr 15	Yr 20
Calculated Space Need - RSF (b)	6,000	6,000	6,000	6,000	6,000
Space standard	n/a	average rsf per employee, w/ 15% load, 25% internal circulation			
	n/a	average work area in sf per employee (net of load and circulation)			
City Hall (Non-Public Safety) Employee Count in 2008	n/a	per internal facilities management assessment			
Employee Growth Rate	0.00%	per year			
Projected City Hall Employee Count	n/a	n/a	n/a	n/a	n/a

	Current Location	New Leased Location	New Owned Location
New Location Lease Rate - Monthly, Full Service	$3.00	$3.00	n/a
Escalations - Start Year 2	5.00%	5.00%	5.00%
Op Expense Increase - Start End of Year 2	3.00%	3.00%	3.00%
Tenant Improvements	$0	$0	$0

Operating Costs - per RSF	Current Location	New Leased Location	New Owned Location
Pass-Through - Initial/Renewal Yr 2 Annual - RSF (b)	$0.57	$0.57	n/a
Utilities		$2.59	$2.59
Cleaning		$1.27	$1.27
Repairs / Maintenance		$1.68	$1.68
Landscaping / Parking / CAM		$0.18	$0.18
Security		$0.00	$0.00
Facility Management		$0.91	$0.91
Other		$0.00	$0.00
Insurance		$0.81	$0.81
Property Taxes		$2.67	$0.00
Capital Reserves		$0.00	$0.00
Total Operating Costs		**$10.11**	**$7.44**

Reversion Assumptions		
Cost of Sale (Year 20)	1.50%	of gross sale price
Rate of Return City Provided Funds	3.00%	projected
Capitalization Rate - Office	7.00%	
NPV Discount Rate 1	5.00%	
TI Amortization Rate	8.00%	

(a) Administrative space; excludes all Police Department functions.
(b) Calculated on 5% increase on Yr 1 inflated baseline per 2008 BOMA Experience Exchange Report. Future years' increase assumption above.

Sources: BOMA Experience Exchange Report, 2008; BAE, 2008.

Utility User Tax Rates - Calif Cities

Appendix 5

Source: CaliforniaCityFinance.com from League of Calif Cities and UUTINFO.ORG Survey Data

City	County	Population 1/1/2005	Telephone	Electricty	Gas	CATV	Water
Alameda	Alameda	74,581	7.5%	7.5%	7.5%	7.5%	
Albany	Alameda	16,743	7.0%	7.0%	7.0%		
Berkeley	Alameda	104,534	7.5%	7.5%	7.5%	7.5%	
Dublin	Alameda	39,931					
Emeryville	Alameda	8,261	5.5%	5.5%	5.5%		
Fremont	Alameda	210,445					
Hayward	Alameda	146,027					
Livermore	Alameda	80,723					
Newark	Alameda	43,708					
Oakland	Alameda	412,318	7.5%	7.5%	7.5%	7.5%	
Piedmont	Alameda	11,055	7.5%	7.5%	7.5%		$1permonth
Pleasanton	Alameda	67,650					
San Leandro	Alameda	81,442	6.0%	6.0%	6.0%	6.0%	
Union City	Alameda	70,685					
Antioch	Contra Costa	101,049					
Brentwood	Contra Costa	40,912					
Clayton	Contra Costa	10,982					
Concord	Contra Costa	124,798					
Danville	Contra Costa	43,273					
El Cerrito	Contra Costa	23,407	8.0%	8.0%	8.0%	8.0%	8.0%
Hercules	Contra Costa	23,360	6.0%	6.0%	6.0%		6.0%
Lafayette	Contra Costa	24,317					
Martinez	Contra Costa	36,818					
Moraga	Contra Costa	16,435					
Oakley	Contra Costa	28,265					
Orinda	Contra Costa	17,797					
Pinole	Contra Costa	19,604	8.0%	8.0%	8.0%		
Pittsburg	Contra Costa	62,605					
Pleasant Hill	Contra Costa	33,638	1.0%				
Richmond	Contra Costa	103,012	10.0%	10.0%	10.0%	10.0%	10.0%
San Pablo	Contra Costa	31,344	7.0%	7.0%	7.0%	7.0%	7.0%
San Ramon	Contra Costa	51,027					
Walnut Creek	Contra Costa	66,501					
Atherton	San Mateo	7,256					
Belmont	San Mateo	25,470					
Brisbane	San Mateo	3,724					
Burlingame	San Mateo	28,280					
Colma	San Mateo	1,567					
Daly City	San Mateo	104,661	5.0%	5.0%	5.0%	5.0%	
East Palo Alto	San Mateo	32,202	5.0%	5.0%	5.0%	5.0%	5.0%
Foster City	San Mateo	29,876					
Half Moon Bay	San Mateo	12,688					
Hillsborough	San Mateo	10,983					
Menlo Park	San Mateo	30,648	***2.5%***	***3.5%***	***3.5%***		***3.5%***
Millbrae	San Mateo	20,708					
Pacifica	San Mateo	38,678		6.5%	6.5%		
Portola Valley	San Mateo	4,538	***6.5%***	***6.5%***	***6.5%***	***6.5%***	***6.5%***
Redwood City	San Mateo	75,986	5.0%	5.0%	5.0%	5.0%	
San Bruno	San Mateo	42,215					
San Carlos	San Mateo	28,190					
San Mateo	San Mateo	94,212					
South San Francisco	San Mateo	61,661					
Woodside	San Mateo	5,496					

Utility User Tax Rates - Calif Cities

Appendix 5

Source: CaliforniaCityFinance.com from League of Calif Cities and UUTINFO.ORG Survey Data

City	County	Population 1/1/2005	Telephone	Electricty	Gas	CATV	Water
Campbell	Santa Clara	38,415					
Cupertino	Santa Clara	53,452	2.4%	2.4%	2.4%		
Gilroy	Santa Clara	47,671	5.0%	5.0%	5.0%	5.0%	
Los Altos	Santa Clara	27,614	3.5%	3.5%	3.5%	3.5%	3.5%
Los Altos Hills	Santa Clara	8,452					
Los Gatos	Santa Clara	28,976					
Milpitas	Santa Clara	64,998					
Monte Sereno	Santa Clara	3,505					
Morgan Hill	Santa Clara	36,423					
Mountain View	Santa Clara	72,033	3.0%	3.0%	3.0%		
Palo Alto	Santa Clara	61,674	5.0%	5.0%	5.0%		5.0%
San Jose	Santa Clara	944,857	5.0%	5.0%	5.0%		5.0%
Santa Clara	Santa Clara	109,106					
Saratoga	Santa Clara	30,850					
Sunnyvale	Santa Clara	133,086	2.0%	2.0%	2.0%		

Business License Tax Revenues - California Cities

Appendix 6

Source: California State Controller, Cities Annual Reports

City	County	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Alameda	Alameda	1,014,940	934,478	996,080	978,921	1,037,440	1,132,295	1,195,606	1,329,445	1,328,018	1,401,536	1,560,004	1,484,802	1,531,190	1,678,176
Albany	Alameda	229,581	279,370	296,542	347,109	341,827	360,659	379,518	373,835	393,935	383,536	404,631	439,563	450,252	450,658
Berkeley	Alameda	5,894,450	6,300,696	6,263,954	6,314,715	7,101,377	7,489,348	8,364,727	8,118,303	8,428,056	9,341,311	9,539,881	10,948,083	11,129,141	10,629,703
Dublin	Alameda	61,504	68,755	65,911	76,792	79,691	79,921	81,727	94,616	103,356	95,390	111,646	122,325	124,120	127,404
Emeryville	Alameda	2,111,019	2,333,075	2,912,564	3,170,046	2,951,135	2,845,136	3,186,858	3,160,498	3,683,506	4,177,646	4,495,900	4,213,611	4,648,213	4,961,252
Fremont	Alameda	2,945,819	2,955,682	3,091,000	3,239,940	3,672,906	4,314,065	4,257,554	4,328,467	4,675,881	5,714,429	5,396,136	5,240,753	4,971,404	5,391,855
Hayward	Alameda	1,215,992	1,338,206	1,407,256	1,409,436	1,522,523	1,713,878	1,685,103	1,836,272	2,076,127	2,371,167	2,366,162	2,331,336	2,268,552	2,464,038
Livermore	Alameda	945,545	1,000,087	1,738,043	2,623,004	3,127,502	3,484,978	4,140,612	4,351,848	3,615,965	4,379,309	5,123,859	4,803,784	5,717,868	4,845,924
Newark	Alameda	537,542	579,643	582,358	629,464	638,187	659,459	762,063	922,989	934,533	1,043,804	1,037,356	882,634	901,284	935,666
Oakland	Alameda	22,558,257	24,457,676	25,127,166	26,203,879	27,397,572	31,922,840	30,257,799	31,961,749	35,275,670	38,856,138	42,221,657	42,030,151	41,798,758	42,610,932
Piedmont	Alameda	156,815	204,217	199,968	201,456	217,350	211,716	246,540	239,351	256,084	250,768	307,527	334,114	353,437	336,261
Pleasanton	Alameda	911,768	1,242,968	1,150,427	1,189,431	1,300,764	1,605,912	1,800,670	2,078,404	2,403,840	2,689,399	2,506,427	2,511,670	2,662,803	2,947,848
San Leandro	Alameda	792,255	1,282,249	1,766,722	1,735,307	2,203,024	2,324,791	2,387,960	1,777,276	1,953,572	1,875,297	1,837,731	1,759,154	1,813,810	1,942,566
Union City	Alameda	254,491	281,412	301,330	333,092	382,643	390,348	407,203	422,922	400,524	395,703	497,142	621,321	729,535	740,010
Antioch	Contra Costa	559,894	721,506	597,772	611,186	608,910	668,333	685,640	742,384	800,713	858,166	946,651	903,955	1,073,787	1,074,976
Brentwood	Contra Costa	33,272	25,366	27,897	32,507	31,802	36,629	39,555	44,838	52,690	61,554	66,810	124,823	325,143	405,246
Clayton	Contra Costa	9,076	22,157	25,604	32,489	38,621	38,370	42,473	76,831	79,749	56,766	75,759	75,235	107,819	149,917
Concord	Contra Costa	1,850,494	1,848,235	1,935,357	1,925,665	1,981,407	2,109,783	2,076,810	2,180,837	2,154,257	2,289,256	2,573,401	2,836,339	2,815,574	3,153,958
Danville	Contra Costa	NA	NA	188,442	209,716	221,869	224,057	254,958	270,243	287,388	303,015	289,849	321,727	325,384	344,031
El Cerrito	Contra Costa	340,909	364,649	422,832	434,147	435,913	458,413	476,628	579,568	485,423	504,660	524,226	569,460	635,089	593,979
Hercules	Contra Costa	96,981	97,253	87,407	93,261	84,379	76,226	85,020	95,379	104,893	101,646	110,911	140,283	139,033	137,538
Lafayette	Contra Costa	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Martinez	Contra Costa	310,492	318,101	322,672	322,861	339,699	336,808	338,774	333,050	346,279	339,016	390,085	444,595	403,405	469,569
Moraga	Contra Costa	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Oakley	Contra Costa	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	44,258
Orinda	Contra Costa	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pinole	Contra Costa	92,106	98,397	105,190	112,056	123,533	127,664	136,638	140,856	151,612	156,087	162,500	168,425	181,064	182,580
Pittsburg	Contra Costa	278,054	247,978	264,181	280,177	293,947	294,620	290,450	276,725	297,146	297,411	233,659	224,720	284,772	330,727
Pleasant Hill	Contra Costa	814,015	829,073	1,133,511	1,041,347	1,122,064	1,176,884	1,250,654	1,312,127	1,533,254	1,542,014	1,697,236	1,708,366	1,696,493	1,756,944
Richmond	Contra Costa	1,140,526	972,172	933,665	959,770	949,086	928,471	915,561	930,856	1,091,726	1,050,117	1,204,373	1,291,536	NA	NA
San Pablo	Contra Costa	182,925	235,003	216,302	236,606	2,311,759	3,906,631	2,971,820	2,151,133	2,059,779	2,227,958	2,383,204	2,312,171	2,926,678	3,291,022
San Ramon	Contra Costa	NA	NA	85,040	86,550	97,774	94,910	98,150	122,845	114,652	149,486	NA	163,245	161,525	203,161
Walnut Creek	Contra Costa	1,054,981	1,264,974	1,223,157	1,271,527	1,182,293	1,261,853	1,383,129	1,406,261	1,879,577	1,649,337	1,041,098	1,926,542	1,901,983	1,885,647
Atherton	San Mateo	164,745	165,802	171,440	185,515	193,050	203,597	224,790	195,621	195,455	79,751	116,603	135,089	446,503	459,177
Belmont	San Mateo	429,595	400,756	447,537	445,169	470,425	470,314	467,219	650,255	320,328	470,970	539,472	640,948	473,217	620,219
Brisbane	San Mateo	215,408	191,760	201,186	227,742	226,721	216,370	230,484	245,328	255,685	331,533	288,520	294,322	326,181	360,094
Burlingame	San Mateo	217,629	400,174	477,506	539,681	583,933	626,755	735,594	631,637	664,385	714,549	705,928	568,335	603,825	684,282
Colma	San Mateo	8,597	8,951	8,374	8,072	8,754	7,957	35,832	7,391	7,721	8,102	4,744	5,417	5,050	5,372
Daly City	San Mateo	861,162	868,182	896,707	925,720	923,046	950,644	1,030,921	1,038,543	1,053,946	1,117,497	1,190,828	1,239,332	1,247,882	1,274,453
East Palo Alto	San Mateo	50,608	40,384	27,195	35,206	40,585	44,518	129,764	170,317	599,189	276,643	264,077	272,972	365,758	398,997
Foster City	San Mateo	424,122	459,563	448,981	450,168	445,765	496,393	490,990	475,777	500,180	473,195	516,003	481,732	469,344	503,226
Half Moon Bay	San Mateo	49,745	48,276	137,072	139,186	143,233	179,907	171,061	176,892	184,857	214,844	195,964	228,240	233,157	229,771
Hillsborough	San Mateo	289,670	255,873	345,596	288,398	299,385	340,753	355,201	524,770	601,303	598,293	559,221	421,194	596,959	639,134

City	County	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Menlo Park	San Mateo	700,027	731,633	759,285	806,213	854,188	1,081,321	1,225,676	1,174,903	1,281,467	1,511,520	1,329,214	1,408,558	1,298,392	1,257,446
Millbrae	San Mateo	105,105	149,272	196,579	196,271	237,214	243,828	260,992	278,634	294,748	279,197	363,055	422,748	451,704	454,891
Pacifica	San Mateo	236,391	250,829	274,638	277,588	272,682	284,842	307,967	318,896	318,538	361,994	NA	NA	344,402	NA
Portola Valley	San Mateo	53,125	40,022	40,451	40,479	37,612	47,611	41,881	59,663	84,897	113,097	109,570	101,010	95,620	112,663
Redwood City	San Mateo	949,711	812,290	1,041,113	953,274	953,442	945,605	1,042,612	1,098,043	1,015,154	1,041,410	1,043,245	1,154,487	1,221,568	1,483,598
San Bruno	San Mateo	687,339	804,720	774,670	1,010,612	1,089,617	1,335,072	1,791,627	1,994,455	1,974,345	2,816,974	2,517,598	2,083,265	2,054,081	2,244,342
San Carlos	San Mateo	180,810	229,644	243,685	252,623	264,017	284,399	248,925	315,091	354,690	397,022	355,362	392,606	453,437	501,519
San Mateo	San Mateo	1,656,161	1,661,517	1,787,021	1,895,951	2,637,780	2,466,651	2,637,652	2,764,170	2,614,506	2,824,035	2,611,614	2,867,164	2,972,258	2,865,622
South San Francl	San Mateo	765,093	791,806	995,395	1,118,612	1,175,643	1,283,532	1,356,454	1,402,785	689,715	687,609	652,991	632,959	690,025	725,674
Woodside	San Mateo	108,205	86,338	93,223	86,214	94,925	108,170	115,670	125,386	144,438	154,328	152,653	147,580	138,330	134,450
Campbell	Santa Clara	191,276	183,757	193,276	195,345	196,765	196,066	197,525	193,844	198,501	189,903	194,663	195,879	203,520	201,655
Cupertino	Santa Clara	105,616	167,832	326,840	348,126	361,484	355,868	384,865	435,541	440,422	458,881	479,338	522,048	556,697	610,365
Gilroy	Santa Clara	304,438	306,581	369,216	283,110	295,421	295,865	293,845	332,512	504,595	596,016	457,461	540,145	557,008	522,806
Los Altos	Santa Clara	303,370	300,115	311,518	303,170	307,786	320,925	325,018	315,810	323,505	290,975	312,243	340,969	333,668	365,859
Los Altos Hills	Santa Clara	81,438	106,400	115,007	148,585	159,492	148,672	157,392	170,307	172,472	176,858	179,759	184,158	198,911	190,484
Los Gatos	Santa Clara	687,998	686,590	741,370	781,351	845,842	888,310	970,818	986,300	1,030,900	1,003,928	986,525	1,059,788	1,071,865	1,086,814
Milpitas	Santa Clara	231,035	223,073	224,952	252,065	253,941	260,555	265,988	290,715	336,985	288,461	290,694	274,168	272,269	274,461
Monte Sereno	Santa Clara	18,100	18,647	17,848	27,070	28,184	29,382	27,870	29,080	33,825	33,533	40,190	40,700	40,655	37,715
Morgan Hill	Santa Clara	97,793	93,648	102,441	101,150	105,209	128,198	157,208	132,497	160,107	174,323	179,970	177,657	181,708	156,710
Mountain View	Santa Clara	227,000	208,294	227,079	223,877	228,746	208,251	226,100	206,296	228,948	221,653	219,206	211,162	216,068	222,065
Palo Alto	Santa Clara	NA	NA	NA	NA	NA	NA	NA	NA	NA	23,221	NA	NA	NA	NA
San Jose	Santa Clara	13,666,725	29,842,036	30,672,027	34,386,072	35,953,037	36,266,442	38,067,628	39,704,459	37,623,005	37,215,913	36,536,051	36,642,153	37,776,270	38,621,574
Santa Clara	Santa Clara	411,189	692,925	707,459	731,340	692,489	626,280	839,061	869,710	883,618	934,786	846,438	817,652	798,871	823,069
Saratoga	Santa Clara	158,136	165,639	199,676	234,990	280,246	248,652	263,251	269,965	293,846	287,823	275,362	284,037	282,553	298,823
Sunnyvale	Santa Clara	238,173	266,025	268,061	261,893	274,459	279,960	270,491	265,738	263,252	287,252	249,753	269,263	244,286	214,895

Appendix 7
Committee Member Bios

Lee Burrows

Lee Burrows is a principal at VantagePoint Venture Partners where he is an investment professional conducting market research, trend analysis and due diligence on potential investment opportunities for VantagePoint's CleanTech Investment Group. Prior to that, he worked for several high tech companies in marketing, product development and research and design. Mr. Burrows received an honors B.S. degree, a Masters degree and is a Ph.D candidate from the California Institute of Technology in Applied Physics. Mr. Burrows has lived in Lafayette for four years.

Daniel Deitrick

Daniel Deitrick is a Financial Advisor and Financial Planning Specialist with the Lamorinda Group at Smith Barney where he provides comprehensive wealth management planning for individuals, families, and business owners. He previously worked in the Hospitality Services Industry as a Regional Director and as a high school and college math and science teacher. He graduated cum laude from the University of California, San Diego with a Bachelors degree in Biology and from the University of California, Berkeley with a Masters degree in Human Biodynamics. Mr. Deitrick is a former board member of the Natomas Chamber of Commerce and has worked closely with several local municipalities through the design, planning, and construction of three commercial buildings. He moved back to Lafayette with his family in 2004, having lived in Lafayette off and on since 1972.

Glenn Farrell

Glenn Farrell is an audit partner with KPMG LLP, specializing primarily in consumer products and transportation companies. He was partner-in-charge of the Northern California audit practice from 2001-2003. Mr. Farrell received a BA degree in mathematics from Amherst College and an MBA degree in finance and accounting from the University of California, Los Angeles. He serves on the board of the YMCA of San Francisco, and is a director emeritus on the Goodwill Industries of San Francisco board, where he served for over sixteen years. He and his wife Tracey raised three daughters in Lafayette where they've resided for 23 years.

Mike Gilson

Mike Gilson is Vice President of Customer Solutions for Deep Ocean Engineering a manufacturer of underwater robotic vehicles that are manufactured in San Leandro and sold to customers in more than 45 countries on 6 continents. His career has been primarily focused on technology driven manufacturing companies with a global focus. Mike's post-MBA career began as a consultant for McKinsey & Co. in the Washington D.C. and New York Offices where he served a variety of clients in the US and Europe. Prior to attending college at the University of California Davis, Mr. Gilson was stationed at a variety of foreign posts while working for the National Security Agency. Since moving to Lafayette in 1990, he has served on a variety of civic and non-profit boards and committees and presently is a member of the Board of Trustees of the Lafayette Library and Learning Center. In addition to a BA from UC Davis, Mike received an MBA from the Wharton School of the University of Pennsylvania.

Deborah Jansen

Deborah Jansen is retired from McKesson Corporation, a medical and pharmaceutical company, where she held various positions including Executive Vice President where she had responsibility for the retail independent drug store division. She currently volunteers at the Community Youth Center in Concord where she manages the high school tutoring program for at-risk youth. She also leads the Finance Committee at De La Salle High School and is a board member of JCM Partners, a privately held real estate company. She earned a Masters in Business Administration from the Harvard Business School and a Bachelors of Science Degree in Finance from the University of Southern California. Ms. Jansen has lived in Lafayette for 17 years.

Elizabeth Stanners

Elizabeth Stanners was formerly a Managing Director for Bank of America, leading a global team of professionals responsible for originating, structuring and executing all interest rate, currency and commodity derivative and hedging strategies for clients of B of A's Real Estate, Technology, Media and Entertainment, Private Banking, Commercial Banking and Latin America divisions. Her experience includes Vice President of Security Pacific's Merchant Bank in London in charge of the bank's European Entertainment/Communication Division, Finance Officer for Union Bank's Investment Banking Division and most recently Director of Ocean Gate Capital, a private investment firm. Ms. Stanners holds a B.A. and M.B.A. from U.C. Irvine and Los Angeles. She is a former executive board member of Lafayette Arts & Science Foundation and is currently on the board of National Charity League and other local charitable boards. Ms. Stanners has lived in Lafayette for 14 years.